

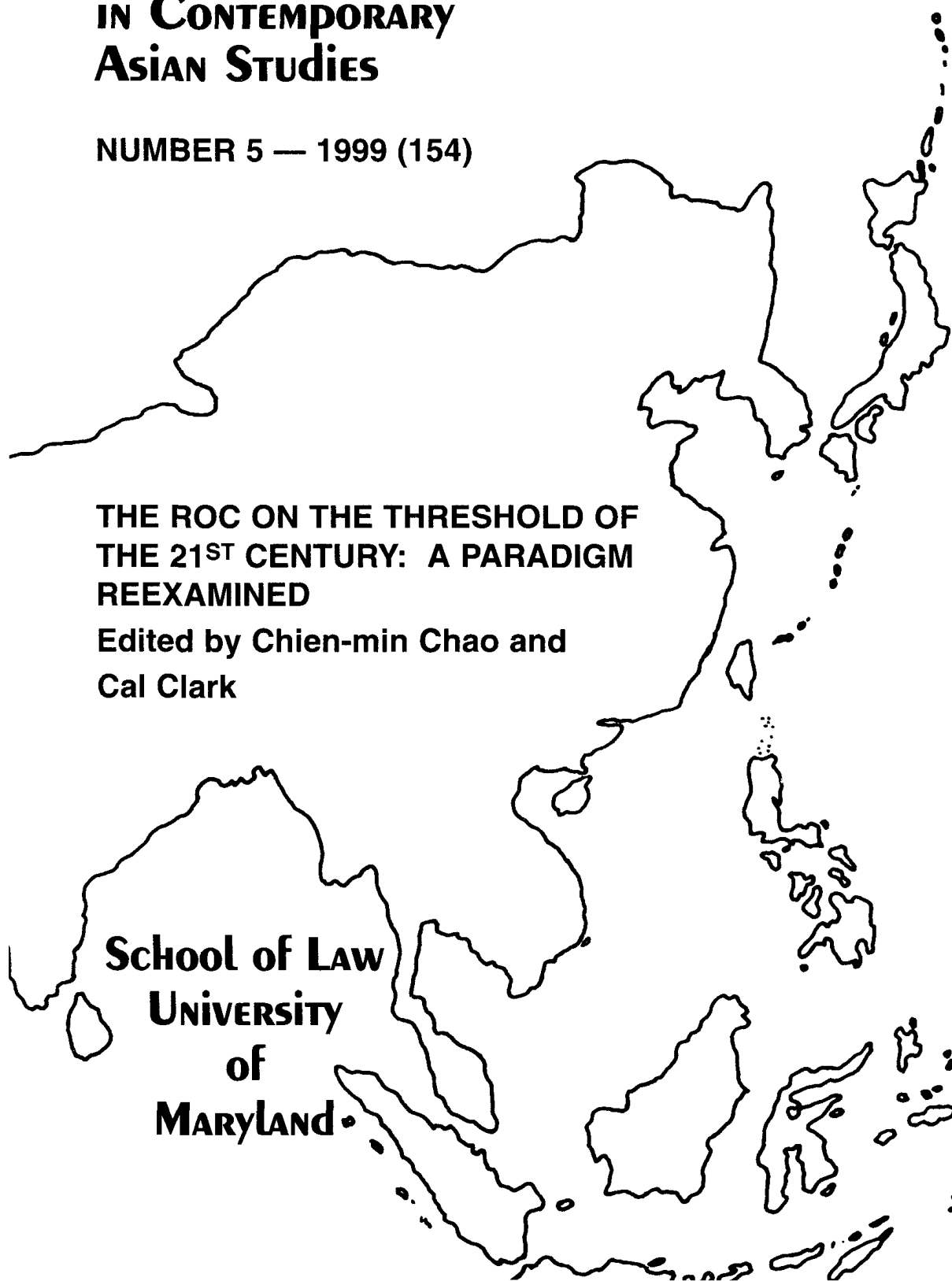
**OCCASIONAL PAPERS/  
REPRINTS SERIES  
IN CONTEMPORARY  
ASIAN STUDIES**

**NUMBER 5 — 1999 (154)**

**THE ROC ON THE THRESHOLD OF  
THE 21<sup>ST</sup> CENTURY: A PARADIGM  
REEXAMINED**

**Edited by Chien-min Chao and  
Cal Clark**

**School of Law  
UNIVERSITY  
of  
MARYLAND**



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Tel.: (410) 706-3870  
Fax: (410) 706-1516

Price for single copy of this issue: US \$24.00

ISSN 0730-0107  
ISBN 0-925153-69-9

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# THE ROC ON THE THRESHOLD OF THE 21<sup>ST</sup> CENTURY: A PARADIGM REEXAMINED

*Edited by Chien-min Chao and Cal Clark\**

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# Chapter 1

## THE ROC ON THE THRESHOLD OF THE 21<sup>ST</sup> CENTURY: A PARADIGM REEXAMINED

*Cal Clark and Chien-min Chao*

During the last several decades of the 20<sup>th</sup> century, the Republic of China on Taiwan (ROC) has been very successful in three fundamental respects. First, dating from the 1970s, Taiwan has been recognized for its “economic miracle” that transformed a poor agricultural society into a dynamic industrial one on the verge (if not already over it) of joining the developed world. Second, the country’s surprisingly easy “democratic transition” during the late 1980s and early 1990s created what Linda Chao and Ramon Myers have termed “the first Chinese democracy.”<sup>1</sup> Finally, the ROC’s loss of diplomatic status during the 1970s in its “unfinished civil war”<sup>2</sup> with the People’s Republic of China (PRC) was significantly reversed during the early 1990s by the success of its “pragmatic diplomacy” which aimed at gaining international “space” and status through intensifying informal relations with other other nations. Seemingly, the Republic of China had constructed a very successful developmental paradigm. Over the last few years, however, Taiwan has faced growing challenges along all these dimensions. The escalating efforts by the PRC to constrain Taiwan’s international status are the most dramatic, but economic and political change on Taiwan seems to be creating significant strains as well.

Presumably because of the “economic miracle,” the Taiwan paradigm was defined primarily in terms of its economic institutions and strategies until the last decade.<sup>3</sup> Its economic success, though,

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1. Linda Chao and Ramon H. Myers, *The First Chinese Democracy: Political Life in the Republic of China*, Baltimore: Johns Hopkins University Press, 1998.

2. Ralph N. Clough, *Island China*, Cambridge: Harvard University Press, 1978.

3. Steve Chan and Cal Clark, *Flexibility, Foresight, and Fortuna in Taiwan’s Development: Navigating between Scylla and Charybdis*, London: Routledge, 1992; Walter Galenson, Ed., *Economic Growth and Structural Change in Taiwan: The Postwar Experience of the Republic of China*, Ithaca: Cornell University Press, 1979; Thomas B. Gold, *State and Society in the Taiwan Miracle*, Armonk, NY: M.E. Sharpe, 1986; Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton: Princeton University Press, 1990.

was generally assumed to reflect successful “modernization” that should ultimately produce major changes in the society and the polity.<sup>4</sup> Thus, as Taiwan’s highly-applauded democratization commenced in the late 1980s, academic interest in conceptualizing the paradigm of the ROC’s political economy switched to the new political institutions that were emerging.<sup>5</sup> In fact, the challenges now facing the Republic of China as the new millennium dawns appear to be primarily political in nature. First, the ROC needs to make more progress on institutionalization in order to further consolidate its fledgling democracy. For example, the frequent revision of its constitution and the raucous and controversial politics in the National Assembly over the past few years present telling evidence of the political uncertainties facing the country today. Moreover, although the country has successfully weathered the Asian financial crisis, its lack of financial institutionalization has been exposed. We can expect, consequently, major restructuring of the financial system if Taiwan is to avoid severe economic difficulties. Second, the interlinked issues concerning national identity and cross-Strait relations create a severe political challenge. The ROC is risking being obliterated from the surface of the earth by Beijing’s demands for unification. Thus, the future of the Republic of China hinges almost entirely on its capability to resolve the political disputes with China peacefully — which, in turn, raises critical and hard-to-answer questions in both foreign and domestic policy.

The Sun Yat-sen Graduate Institute of Social Sciences and Humanities of National Chengchi University organized an international conference — which was co-sponsored by Southern Illinois University, and National Chengchi University’s Center for Taiwan Studies — to examine the “Taiwan paradigm” under these changing international and domestic conditions. This January 1999 conference focused on both the internal and external dimensions of the ROC’s policy paradigm. The participating scholars generally concluded that Taiwan’s past success rested upon its flexible adaptation to economic, political, and diplomatic conditions. Despite a new more uncertain economic and political environment domestically, both Taiwan’s nascent democracy and still changing economy ap-

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4. Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China*, Stanford: Hoover Institution Press, 1989.

5. Chao and Myers, *The First Chinese Democracy*; John F. Copper, *A Quiet Revolution: Political Development in the Republic of China*, Washington, DC: Ethics and Public Policy Center, 1988; Hung-mao Tien, Ed., *Taiwan’s Electoral Politics and Democratic Transition: Riding the Third Wave*, Armonk, NY: M.E. Sharpe, 1996.

pear to retain their adaptability and ability for progressive development. Taiwan's foreign policy is perhaps more problematic, though, because its viability is clearly being challenged by the growing diplomatic pressure being exerted by the PRC; moreover, relations with China feed back into domestic politics and, given the rapid growth of cross-Strait economic interactions, into the island's economic development.

Part I of this book on "The Domestic Paradigm: Freedom and Flexibility" examines the domestic components of the developmental paradigm that the Republic of China has followed so successfully. Chapters 2 and 3 sketch, respectively, the general outlines of Taiwan's political and economic development. Chapters 4 to 6 then provide a more detailed treatment of several important political issues; and Chapters 7 and 8 focus upon several key facets of Taiwan's economic development.

In Chapter 2, Ramon Myers argues that flexibility and freedom have been the hallmarks of the ROC's successful political development. Even during the authoritarian era of the 1950s through the early 1980s, the government constituted an "inhibited political center" rather than a totalitarian dictator. Thus, the regime permitted limited but democratic local elections, an increasingly dynamic small business sector that was independent of the state, and, more broadly, a nascent "civil society" in the form of uncontrolled groups and activities. By the 1980s, these processes had evolved into a major push for democracy involving both a top-down push by reformers in the ruling party and bottom-up pressure by society and by opposition leaders. The "democratic breakthrough" came from elite bargaining in which both the government and the opposition were willing to limit their objectives and to create democratic "rules of the game" that all major political actors were willing to obey. The ROC's democratic transition has now created a "subordinated political center" which should enhance policy flexibility and freedom for innovation in an increasingly competitive party system, although China policy certainly presents a major challenge for all the political groupings on Taiwan. However, Myers believes that democratic forces are pushing the major parties toward pragmatic and effective policy positions, thus leading him to conclude that "democracy can ensure the survival" of the Republic of China.

Cal Clark's depiction of the Taiwan development model in Chapter 3 parallels Myers' analysis of the polity in several important aspects. He argues that rapid and sustained economic growth on Taiwan has been possible because the economy has gone

through four fundamental structural transformations: (1) from agriculture to light industry for the domestic market (1950s), (2) from import substitution to export-driven industrialization (early 1960s to early 1970s), (3) industrial upgrading (mid 1970s to mid 1980s), and 4) a shift from labor-intensive to high tech industry (mid 1980s to present). Such structural transformations are usually difficult for a country to make because they involve *both* finding the right economic strategy and overcoming significant political opposition. The ROC's success in going through a series of such transformations during the postwar era, thus, is remarkable and is certainly indicative of both institutional capability and economic *and* political flexibility and freedom. For example, each of these four transformations rested upon different combinations of governmental leadership, business entrepreneurship, and reliance upon or active channeling of market signals.

Chapters 4 and 5 provide more detailed case studies supporting Myers' model of the ROC's political development. In Chapter 4, Shelley Rigger analyzes public opinion on national identity and cross-Straits relations. In the early 1990s, many believed that clashing views on these issues would become highly divisive as Taiwan's democratic transition gave public opinion a larger role in domestic politics. Yet, Rigger finds that such attitudes are complex and ambiguous. Thus, she argues that the need to respond to a far less than anticipated divide in public opinion has helped to create a consensus on general policy toward the PRC between the KMT and DPP which has made a major contribution to the island's political stability. Chih-cheng Lo's analysis of the 1998 elections in Chapter 5 is generally consistent with the conclusions of Myers and Riggers, although he seems a little less optimistic on the question of whether "democratic consolidation" has occurred in the Republic of China. Lo interprets the 1998 elections as constituting a significant step toward a competitive two-party system and as pushing the major parties, especially the DPP, toward more moderate positions on cross-Straits relations. Still, he sees problems for Taiwan's democratization in such phenomena as the growing political power of business and local factions, ongoing controversies over constitutional questions, and the continuing threat from China. In addition, Chapter 6 uses the recent American experience with freedom of the press to indicate that Taiwan's current success in having created a vigorous "free press" may generate a challenge in the near future of maintaining a "fair press."

Chapters 7 and 8 provide more detailed data on and descriptions of Taiwan's economic development. Chu-Chia Lin presents an overview of the "economic miracle" that occurred in the Republic of China in Chapter 4. He demonstrates that it has had an excellent record throughout the postwar era on such central facets of economic performance as rapid and sustained growth, low inflation, and a fairly low level of income inequality, even compared to advanced industrial societies. He also charts the very significant changes that have occurred in the structure of Taiwan's economy, including: 1) the rapid growth of first industry and, since the late 1980s, services, 2) the rapid growth of exports in the 1960s and the considerable upgrading of export quality over the last decade, and 3) the very significant movement of Taiwan's low-end manufacturing to Mainland China during the 1990s. Despite the ROC's past economic successes, Chapter 5 by Steven A.Y. Lin finds that it still faces significant economic challenges, in large part because its success has created such a prosperous society that it is being forced out of the low-cost labor niche in the global economy. Lin examines three of these challenges: 1) industrial upgrading, 2) financial liberalization and reform, and 3) the growing economic dependence on Mainland China. All three areas involve change that make Taiwan more dependent upon external economic forces; yet, Lin's analysis finds no real crisis in any of these areas with the possible exception of growing economic vulnerability to a hostile Beijing.

The five chapters in Part II consider "Taiwan's Foreign Policy: Pragmatic Diplomacy at a Crossroads." Chapter 9 provides a theoretical overview by conceptualizing changes in the relations among Taiwan, China, and the United States as transitions from one of the three types of "strategic triangles" to another. Chapters 10 and 11 then analyze, respectively, Taipei's and Beijing's perspectives on their increasingly antagonistic relationship during the second half of the 1990s; and Chapters 12 and 13 discuss the policy of the United States toward Taiwan.

In Chapter 9, David S. Chou argues that the relations among Taiwan, China, and America constitute a interconnected "strategic triangle" whose nature has changed dramatically over the postwar era. During the 1950s, the relations among the three countries constituted a "stable marriage" in which the ROC and US were allied against the PRC; and this was transformed into a "romantic triangle" in which the United States endeavored to have good relations with and balance off the still hostile China and Taiwan during the 1970s and 1980s. In the early 1990s, relations between Taipei and

Beijing thawed so that a *menage a trois* (i.e., good relations among all three parties) appeared to be emerging. However, the PRC's extremely harsh reaction to President Lee Teng-hui's June 1995 visit to Cornell University, his *alma mater*, set off a new hostility between Beijing and Taipei that pushed the strategic triangle back toward a "romantic triangle" with the US at the pivot point. However, this romantic triangle is far less stable than its previous incarnation in the 1970s and 1980s for several reasons. First, the relations of the United States with both sides of the Taiwan Strait over the past few years have been clearly more volatile than before with marked hostility periodically emerging between Beijing and Washington; second, several crises have erupted in the Taiwan Strait; and, finally, as the following chapters show, the perceptions that all three countries have about the same international reality are becoming increasingly divergent.

The divergence in perception between Beijing and Taipei is especially striking with both evidently perceiving themselves to be at an increasing disadvantage in cross-Strait relations and in U.S. policy toward them — which obviously creates an unstable and dangerous situation. Ching-chih Chen traces out what Taipei views as a dangerously downward drift in its international position in Chapter 10. Following the Taiwan Strait Crisis of 1995-96, the United States resolved to improve relations with the PRC and to reduce tensions in the Taiwan Strait, leading to President Clinton's proclamation of the "Three No's" as official US policy in Shanghai in June 1998. Both Beijing and Taipei saw this as a significant shift in American policy. Thus, the PRC became much more aggressive in its demands for the unification of China, thereby putting Taipei under growing pressure to "internationalize" the issue before its position deteriorated even further. According to Chapter 11 by Jian Chen, however, the view from Beijing is considerably different. Taiwan is seen as a fundamental issue concerning China's sovereignty and territorial integrity by a regime for which nationalism is by far its most important legitimizing motif. Thus, compromise on the issue is difficult, if not impossible. Beijing, moreover, does not share Taipei's perception that time is on the Mainland's side. Rather, it is concerned that the growing hostility that the US expresses toward China and the effects of democratization in Taiwan are seriously eroding the possibility for unification. Despite these negative beliefs, China seems committed to peace, rather than war, as being in its long-term best interests. Still, the extremely different views in Taipei and Beijing are unsettling.

The conflicting perceptions in Taipei and Beijing that each is losing out in cross-Strait relations at least in part because recent US policy change tilts against them, furthermore, are ironic in view of the conclusions in Chapters 12 and 13 that there has, in fact, been little actual change in American policy toward the Taiwan Strait. In Chapter 12, Dennis Hickey specifically examines the belief that Clinton's articulation of the "Three No's" constituted a fundamental policy shift. He argues strongly that it did not. Rather, the "Three No's" are consistent with U.S. policy statements going back to the Reagan (and even the Nixon) administration; and subsequent arms sales to Taiwan demonstrate the Clinton administration's commitment to the ROC's security. He then argues persuasively that several recent proposals for policy initiatives to stabilize cross-Strait relations would almost certainly be counterproductive. However, both Hickey and Robert Sutter in Chapter 13 also lay out two basic reasons why US policy can sow confusion in Beijing and Taipei. First, the Taiwan Relations Act is clearly inconsistent with key aspects of the US-PRC Joint Communiques; second, the American policy of "strategic ambiguity" can be misinterpreted by both sides. A third and very important factor emerges in Robert Sutter's more detailed analysis of US policy-making, which focuses on the ongoing Executive-Congressional conflict that has occurred over the last several decades (the Executive is more concerned with maintaining good relations with the PRC, while Congress is strongly committed to supporting the ROC). This conflict has become increasingly intense over the 1990s, following Tiananmen Square and the end of the Cold War. Thus, both sides can correctly see inimical policies being articulated by important political forces in the US, but they can also find attentive ears for their own "interest articulation." The intended ambiguity in the US security guarantee to Taiwan and the contemporary policy incoherence concerning Sino-American relations in Washington, therefore, interact to inflame suspicions and misperceptions in cross-Strait relations.

From a variety of perspectives, therefore, the "strategic triangle" among Taipei, Beijing, and Washington is now generating instability and even paranoia on all sides. This certainly puts the Republic of China's previously successful "pragmatic diplomacy" under strong challenge. It is hard, if not impossible, to be pragmatic when suspicious adversaries with conflicting objectives (i.e., definitions of "Chinese sovereignty") cannot even agree on what existing conditions are. For example, the papers on domestic poli-

tics and economics in this book are generally optimistic that Taiwan's flexible policies and democratic processes would promote moderation and stability in cross-Strait relations. Unfortunately, the growing tensions in the summer of 1999 proved the more pessimistic analyses of foreign policy in Part II to be well founded. It is far too soon to predict how permanent and significant the current contretemps across the Taiwan Strait are. They could well die down following the ROC's next presidential election (March 2000), as they did in 1996, for example. Or, they could increasingly "feed back" into the domestic economy (given Taiwan's economic dependence on the Mainland) and domestic politics (given the potential divisiveness of the national identity issue). All we can say at present is that the past successes of the "Taiwan paradigm" give the Republic of China considerable capability to face the challenges of the new century, as well as the still unresolved Cold War "hang-over" from the last century.



**PART I. THE DOMESTIC PARADIGM:  
FLEXIBILITY AND FREEDOM**



## Chapter 2

### HOW THE REPUBLIC OF CHINA'S DEMOCRACY CAN ENSURE ITS SURVIVAL\*

*Ramon H. Myers\*\**

Replacing authoritarian rule with democracy was never inevitable in the Republic of China on Taiwan (ROC). The political center's power holders could have maintained the same single-party authoritarian rule that now exists in Singapore and Communist China. But political life in these three Chinese societies in 2000 could not be more different. In the ROC, liberty flourishes; the people hold their leaders and political parties accountable through elections; access to information is free and open; and governance still is efficient. In Singapore and the PRC, in stark contrast, the state severely limits human liberty; sovereignty does not reside in the people; information is controlled; and the efficiency of governance is suspect.

Four patterns of political change not only make the ROC's democracy distinctive but will strengthen that nation's capabilities to survive future challenges. Previous scholarship has confirmed some of these patterns but has not explained their interaction that produced the first Chinese democracy.<sup>1</sup> These patterns are the following:

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\* This essay is based on the arguments presented in Linda Chao and Ramon H. Myers, *The First Chinese Democracy: Political Life in the Republic of China*, Baltimore: Johns Hopkins University Press, 1998 and their recent findings and publications.

\*\* Ramon H. Myers is a Senior Fellow of the Hoover Institution at Stanford University.

1. A variety of explanations have been offered for Taiwan's democratization. Socio-economic change was emphasized by Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China*, Stanford: Hoover Institution Press, 1989. The top-down relaxation of authoritarian rule was emphasized by Edwin A. Winckler, "Institutionalization and Participation on Taiwan: From Hard to Soft Authoritarianism?" *China Quarterly* 99 (September 1984), pp. 481-499; and Hung-mao Tai, "The Kuomintang and Modernization in Taiwan," pp. 406-435 in Samuel P. Huntington and Clement H. Moore, Eds., *Authoritarian Politics in Modern Society: The Dynamics of Established One-Party Systems*, New York: Basic Books, 1970. For analyses of opposition-driven, bottom-up democratic processes see Tun-jen Cheng, "Democratizing the Quasi-Leninist Regime in Taiwan," *World Politics* 41 (July 1989), pp. 471-499; and C.L.

- The ruling party willingly engaged in a top-down, guided democratic process and tolerated an opposition-driven, bottom-up democratization process. These political developments eventually converged — without extremists in either the ruling party or the opposition resorting to excessive violence or sabotage — creating a democratic polity. The ROC on Taiwan may be unique in that the ruling party tolerated the evolution of a political opposition and the prospect of sharing power or of risking losing office when it had the power to control society indefinitely.<sup>2</sup>
- Enough elite in the ruling and opposition parties internalized ideological-political cultural adjustments that fit with the practice of democracy. What is unusual in Taiwan is that not only did Chinese political culture facilitate those adjustments so that powerful leaders and elite embraced ideas and values that were more compatible with the practice of democracy than with autocracy, but different forms of nationalism also affirmed the politics of democracy.<sup>3</sup>
- Local elections, established in 1950, and supplementary quota national elections, commencing in the 1970s, became more open, fair, and democratic by the 1990s. The ROC on Taiwan stands out internationally because voters did not replace the ruling party after the democratic transition.<sup>4</sup>

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Chiou, *Democratizing Oriental Despotism: China from 4 May 1919 to 4 June 1989 and Taiwan from 28 February 1947 to 28 June 1990*, London: St. Martin's, 1995.

2. Our political narrative concludes that the KMT accepted the emergence of an opposition party because of Chiang Ching-kuo's vision for creating a democracy in Taiwan. For alternative interpretations, see Andrew J. Nathan and Helena V.S. Ho, "Chiang Ching-kuo's Decision for Political Reform," in Shao-chuan Leng, Ed., *Chiang Ching-kuo's Leadership in the Development of the Republic of China on Taiwan*, New York: University Press of America, 1993; and Wakabayashi Masahiro, *Taiwan: bunretsu kokka to minshuka [Taiwan: State Disintegration and Democratization]*, Tokyo: Tokyo daigaku shuppanki, 1992, pp. 212-213.

3. This confirms the argument that Chinese elite attitudes and beliefs toward political authority changed after the KMT moved to Taiwan that has been developed by Lucian W. Pye (with Mary W. Pye), *Asian Power and Politics: The Cultural Dimensions of Authority*, Cambridge: Harvard University Press, 1985, pp. 228-236.

4. John F. Copper, *Taiwan's 1991 and 1992 Non-Supplemental Elections: Reaching a Higher State of Democracy*, New York: University Press of America, 1994; Teh-fu Huang, "Electoral Competition and Democratic Transition in the Republic of China,"

- The ruling elite initially adhered to constitutional rule without practicing it, but their commitment to democracy and pressure from the opposition made it possible to amend the constitution and practice democracy. Again, the ROC on Taiwan is possibly unique in that the opposition politicians, who despised the constitution and wanted to draft a new constitution for establishing a different democratic polity, participated in a constitutional reform process over which they had very limited influence.<sup>5</sup>

These four patterns of political change show that the key requisites for democracy — a responsible opposition, a political culture compatible with democracy, competing political parties participating in free elections, and respect for a constitution — now exist in the ROC on Taiwan. If all parties and citizens commit to constitutionalism and other rules of democracy, the ROC should be able to maintain a *détente* with the People's Republic of China (PRC) and deepen cooperation between these two Chinese societies.

### **The Era of the Inhibited Political Center**

Between 1949 and 1986, a single party, the Kuomintang (KMT), ruled Taiwan through its penetration of the government and control of the military, the security forces, and the bureaucracy, thus dominating the economy and the society. Yet, this ruling party allowed households and their members' considerable choice to act. This ruling party and state, or political center, behaved as an "inhibited" political center because society's members and civil organizations had some power and influence to limit the center's use of power. Humiliated by its defeat on the mainland by communist forces, the KMT had regrouped by 1952 and concentrated enormous power unto itself. Behaving more like a religious sect than a political party, this party tried to build a society on Taiwan according to the ideas of its founder, Sun Yat-sen, for the purpose of liberating China from communism. One of Sun's ideas called for developing a democracy that would represent the true will of the

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*Issues & Studies* 27 (October 1991), pp. 97-123; Fu Hu, "The Electoral Mechanism and Political Change in Taiwan," in Steve Tsang, Ed., *In the Shadow of China: Political Developments in Taiwan since 1949*, London: Hurst, 1993, pp. 134-168; Hing-mao Tien, Ed., *Taiwan's Electoral Politics and Democratic Transition: Riding the Third Wave*, Armonk, NY: M.E. Sharpe, 1996.

5. Harvey J. Feldman, Ed., *Constitutional Reform and the Future of the Republic of China*, New York: M.E. Sharpe, 1991.

people. Until such a democracy had evolved, the KMT intended to promote "limited" democracy without competing political parties until society had been educated and made prosperous and the citizenry had become morally virtuous.

The KMT's chairman, Chiang Kai-shek, assisted by his son Chiang Ching-kuo, defined their party's sacred mission as transferring Sun Yat-sen's Three Principles of the People to China after modernizing and democratizing Taiwan. To achieve this grand mission, Chiang exhorted KMT members to overcome their communist defeat by using "the triumph [of building a Sunist society on Taiwan] to comfort our leader, Sun Yat-sen, and those martyrs who died and are in heaven." Chiang Kai-shek thus initiated a top-down democratic process by establishing local elections in 1950 and maintaining the fiction of a "constitutional" Republic of China on Taiwan.

An important "background condition" for Taiwan's democracy, to borrow a concept from Dankwart A. Rustow (who observed that in Sweden and Turkey a powerful sentiment for national unity had "precede[d] all the other phases of democratization"<sup>6</sup>), was that the majority of people shared a sense of national unity. But in Taiwan two different sentiments of national unity competed and embraced the dream of democracy: one shared by most mainlanders — to democratize China — and another shared by many Taiwanese — to have a democratic Republic of Taiwan. Since its founding, the KMT's goal was to unify China and Taiwan. Having lost the civil war, the KMT and its supporters believed that transforming Taiwan into a model province based on Sunist doctrine could lead to China's unification. This sense of national mission made the KMT strongly dedicated to establishing democracy in Taiwan as well as China. The political opposition, who had lived in a Taiwan separated from the mainland's governance since 1895 (except for those few years between late 1945 and 1949), believed that Taiwan's destiny should be a democratic Republic of Taiwan independent of the mainland. The February 28, 1947 uprising and its harsh suppression by the KMT reinforced those sentiments.

Although Taiwan's inhibited political center guided a top-down process of democratization, it often resorted to ruthless means to curb behavior it deemed as illegitimate and threatening to the political order. This center's behavior was predicated on a mixture of

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6. Dankwart A. Rustow, "Transition to Democracy: Toward a Dynamic Model," *Comparative Politics* 2 (April 1970), p. 351.

policies that brutally suppressed dissident behavior and tightly regulated society while facilitating the opening-up and reform of society. Such paradoxical behavior flowed from a particular leadership mindset. Extirpating behavior threatening to delegitimize the center's moral authority was perfectly justifiable, because such actions were necessary to guarantee the salvation of Chinese civilization. The center's top leaders perceived themselves as sage-like, highly moral leaders trying to elicit that appropriate, voluntary behavior from society to save Chinese civilization and build a new Taiwan society based on the doctrine of Sun Yat-sen. They never saw any contradiction in using martial law and promoting only limited democracy to achieve a complete democracy later. Therefore, we will never know the exact number of Taiwan's victims in those early years when limited democracy just began. The journalist Chiang Ch'ün-nan estimates that "more than 10,000 [political prisoners] went to jail."<sup>7</sup> The number might have been higher. The "inhibited" political center's paradoxical leadership behavior produced suppression and control while nurturing a civil society to evolve that inhibited the political center and became the seedbed for political opposition.

In the early 1970s a group of disaffected KMT members, joined by college-educated youth and experienced local politicians, began criticizing the ruling party's style of guided, top-down democracy as insincere and phony. A real democracy, they claimed, would have competing political parties, a free press, and open national elections, but Taiwan had none of these. They argued that as long as the constitution was a dead letter, citizens had no civil rights. Equally important, this opposition grasped the importance of operating within the informal rules bounding opposition political behavior. Meanwhile, the regime arrested and imprisoned many of these *tangwai* activists, but their numbers grew.

By the late 1970s, Taiwan's urbanization and manufacturing growth was generating a per capita income of more than US\$3,000, meaning that the opposition now had access to resources to hold political discussion meetings and launch periodicals. As an expanding, literate middle class participated in local politics, the *tangwai* began entering candidates in the local and supplementary quota national elections. By the early 1980s three new market processes flourished within a civil society: first, an economic marketplace with wealthy small and medium-size businesses; second, an

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7. Quoted in Feldman, *Constitutional Reform*, p. 156.

ideological marketplace free to discuss all ideas except those of Marxism and Leninism; finally, an emerging political marketplace practicing limited democracy.

In the ideological market, the Taiwanese discussed Western liberalism, modern Confucian humanism, Sunist doctrine, and a widely shared conservative petty-bourgeois way of thinking (a process first discussed by Thomas A. Metzger) which by the late 1970s had meshed into four types of political beliefs and ideas. First, the ruling party's official ideology — the Three Principles of the People — argued for a democracy without selfish interest groups and adherence to the rule of law. Second, liberal intellectuals compared the political center's tolerance of a protodemocracy with the standards of Western democracy and found it lacking. Third, Taiwan's middle class extolled the virtues of the free market, striving for material improvement and benefiting from Buddhist, Taoist, and Confucian religions. Finally, the media evaluated why different strata of voters supported their candidates and rejected those having extreme views. As these beliefs and ideas interacted, certain Chinese core ideas emphasizing individual authority, individual pride ("face"), and an intolerance for opposing views were minimized, while others like tolerance and the acceptance of criticism became valued for political governance.

Taiwan's long experience in local elections, debating democracy, and negatively evaluating the political center's performance finally enabled the political opposition to win elections in the late 1970s and early 1980s. More elite and citizens now tolerated opposing opinions, agreed to disagree, wanted political checks to balance those having power, and demanded the rules of democracy. When people realized that elections empowered them to make political choices, they wanted to expand the election process and directly elect national leaders. Meanwhile, the newly elected officials and representatives realized that the voters were judging their performance and could replace them if they were dissatisfied.

In the early 1980s, the Taiwanese also began worrying about environmental pollution; many farmers could no longer maintain their former standard of living; declining industries such as coal mining and textiles produced unemployment; and residents living near factories and nuclear reactors protested the incipient dangers, thereby stimulating a growing demand for a political response to these problems. These rising political expectations emboldened the *tangwai* to demand that the political center lift martial law and allow political parties to compete. In the inhibited political center,



meanwhile, conservative KMT leaders worried about the ROC's growing international isolation, PRC pressures to force a political settlement for unification, Taiwan independence elements fomenting violence, and a leadership succession crisis. Still believing that the populace was not ready for full democracy and that the current conditions did not justify the lifting of martial law, these conservatives demanded the opposition behave and accept the *status quo*. But the opposition responded by trying to force the ruling party to practice democracy and allow an opposition party to form.

The top-down (KMT) and bottom-up (*tangwai*) approaches to democracy contained complex struggles over many political issues but centered on whether an authoritarian political system or a democracy could best solve the nation's problems. As local elections became routine and supplementary quota national elections evolved, disagreements between the *tangwai* and the political center's ruling party became more clearly delineated. The opposition, insistent that democracy was more suitable than authoritarianism for solving Taiwan's problems, argued that conditions on Taiwan justified lifting martial law. More and more elite believed that political parties could compete and monitor one another, elect the best leaders, and respond to the demands of the people. The constitution should be reactivated; elections should be held to reelect a new parliament and national assembly; and the people should directly elect their leaders. Civil rights must be restored to the people and all political prisoners released from prison. Social welfare policies should assist deprived farmers, laborers, pensioners, and so on. By challenging the political center to speed up political and economic reforms, the opposition put the ruling party on the defensive.<sup>8</sup> Many liberal KMT members sympathized with the *tangwai* and joined the struggle against party conservatives. Taiwan's political life had now entered what Dankwart A. Rustow has called a phase of "prolonged and inconclusive political struggle," which always seems necessary when entrenched political interest groups bitterly oppose those wanting democracy to become a reality.<sup>9</sup> In Taiwan's case, democracy had become *the* primary aim for the opposition and even for many of the ruling party. For Chiang Ching-kuo, the KMT's aging and sick leader, democracy now seemed the only way for his party's mission to unify China.

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8. Cheng, "Democratizing," pp. 471-479.

9. Rustow, "Transition," p. 352.

### The Democracy Breakthrough

Taiwan could not have experienced a peaceful democratic breakthrough without the gifted, charismatic leadership of those in power as well as those in the opposition. First, there was Chiang Kai-shek, who rebuilt the KMT and initiated limited democracy. Many KMT liberals and *tangwai* politicians also possessed great leadership skills and, by insisting on tolerance and moderation in their struggle, pushed the bottom-up democratic process. Because powerful KMT conservatives threatened to resist any political reform, enlightened KMT leadership by Chiang Ching-kuo, Chiang Kai-shek's son, was necessary if the *tangwai* were ever to win political party status. Only he had the ability to restrain the hard-line conservatives from suppressing the *tangwai* and to lift martial law. By 1980, Chiang Ching-kuo believed that if a "perfect" democracy could be developed in Taiwan, it could eventually be transferred to the mainland. He also had conceived of a plan for democratization, but first he had to select a capable successor. In the end, he picked a Taiwanese named Lee Teng-hui as his vice-president in February 1984. But he had to wait two more years before he could launch his political reform plan because various external and internal crises intervened. Not until the spring of 1986 did he believe that he could initiate political reform, and so he announced in the fall of that same year that martial law would be lifted and replaced by a national security law. Chiang too had become tolerant and wise, for he took no action in late September 1986 when the DPP courageously *but illegally* established itself as a political party. In this way Chiang affirmed his commitment to democracy and the peaceful resolution of political disagreement between the *tangwai* and the KMT. But *tangwai* leaders also restrained their extremist members from conducting violent demonstrations to demand the end of martial law. Taiwan now had entered the "decision phase" of its democratization.

On January 13, 1988, Chiang Ching-kuo died before the democratic breakthrough could be consolidated, leaving the possibility that Taiwan's reform could lapse into what some have called pseudodemocracy, or the "existence of formally democratic political institutions, such as multiparty electoral competition, [that] masks (often in part to legitimate) the reality of authoritarian domi-

nation.”<sup>10</sup> It remained for his successor, Lee Teng-hui, to consolidate the three essential conditions that Robert Dahl has argued as necessary for democracy.<sup>11</sup> Lee's concept of democracy differed from Chiang's Confucianized democracy, which advocated a single party governing by virtue of its superior moral qualities and the indirect election of the nation's leaders by a national assembly. Pragmatic and sensitive to Taiwanese sentiments, Lee favored the democracy of Japan and the West. His unusual leadership skills also defused crises and resolved political disagreements with his opponents as he pressed forward for the full democratization of Taiwan's “inhibited” political center. When he became KMT chairman, conservative politicians, whose goals differed from his, challenged him; and they had to be defeated before democracy became a reality. The next phase of political struggle now began.

Between the lifting of martial law on July 15, 1987, and mid-1992, Taiwan's political elite engaged in fierce struggle. The hard-core ruling party conservatives, long accustomed to holding power, did not want to share power with their opponents, the DPP. The extremists of the DPP, although championing reform and democracy, believed in creating a Republic of Taiwan. Political leadership and mediating disagreements were crucial if the ruling and opposition parties were to avoid violence and reversion to authoritarian rule. Lee used the mediating skills of Tsiang Yen-si and others to patch up disagreements in the KMT, to achieve a political settlement with the opposition, and to sell his party on the notion that the direct election of the president was a good idea. Lee first worked out a *détente* with the “right-wing” leadership of the KMT in March 1990 in order to be elected by the mainlander-dominated First National Assembly as the eighth president of the ROC. A month later, Lee began negotiating with the DPP leadership while nudging the KMT to establish a National Affairs Conference (*Kuo-shih hui-i*) in June-July 1990. This important gathering of political elite achieved a partial reconciliation between the ruling and opposition parties. It also signified a major breakthrough for civil, dem-

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10. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, *Politics in Developing Countries: Comparing Experiences with Democracy*, Boulder, CO: Lynne Rienner, 1995, p. 8.

11. Robert A. Dahl, *A Preface to Democratic Theory*, Chicago: University of Chicago Press, 1956, Chp. 3. These three conditions include: 1) meaningful competition for government positions through routine, free, and fair elections; 2) wide political participation to select leaders so that no social group is excluded from having citizenship rights; and 3) a high level of civil equality under the rule of law so that citizens can express their views and interests and vigorously contest policies and offices.

ocratic discourse between the political parties and legitimated the DPP as an opposition party having an equivalence with the KMT in the political marketplace. Meanwhile, Lee turned to KMT liberals and reform-minded opposition politicians in the KMT and DPP to cooperate and abolish the First National Assembly and hold an election on December 21, 1991 for electing the Second National Assembly, which would carry out vital constitutional reform to make democratic national elections a reality.

In this period of rapid political change, many KMT senior leaders who had opposed their party's reforms retired. The younger Taiwanese politicians who replaced them typically supported Chairman Lee's leadership position and policies. This process, which Dankwart A. Rustow has called "Darwinian selectivity in favor of convinced democrats," gave more party power to the KMT chairman because those remaining hard-core conservatives, now a minority, either accepted their chairman's leadership or left the party.<sup>12</sup> Taiwan's democratic transition now entered the "habituation phase" in which a declining number of extremist politicians could not win support because everyone else was now playing by the democratic rules of the game.

### **The Beginning of the Subordinated Political Center Era**

Although Taiwan had become a democracy, a turnover of political power did not immediately occur and did not seem likely in the near future as long as Taiwan's people perceived the DPP as rejecting the "one China" principle and opting for a Republic of Taiwan without having any cooperative relationship with the PRC. Between December 1992 and the spring of 1996, there were few street demonstrations. Taiwan's elite increasingly complied with the democratic rules to resolve their disagreements, which were intense and involved factional struggles within the two major parties as well as fierce struggles between the top party leaders of the KMT and DPP. These policy conflicts focused on the national budget, spending for nuclear energy-generating projects, and how to expand Taiwan's international relationships to deal with pressure from the People's Republic of China. The KMT became successful at coopting the DPP's policy suggestions, making these appear as its own to win voter support.<sup>13</sup> In this way, the KMT could still win

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12. Rustow, "Transition," p. 358.

13. For example, in the early 1990s the KMT enacted a long list of policy demands made by the DPP in the late 1980s including: 1) lifting martial law, 2) holding full

votes and manage the government, but only because the opposition party in late 1996 was in disarray. As early as December 1991 and continuing through the spring of 1996, the election trends had revealed that voters rejected the DPP if they perceived its message as exclusively devoted to establishing an independent Republic of Taiwan, for they feared war with the PRC. The majority of voters wanted the ROC's status in the international order improved but not by antagonizing the PRC. At times the voters supported a DPP politician to goad the KMT to perform better, but when they elected the popular nominee Chen Shui-bian in the Taipei mayor's race of December 1994, Chen's victory owed much to Taipei's mainlander majority voting for Jaw Shau-kong, the New Party candidate, to give Chen his plurality.

In 1996, the DPP only had around 70,000 members and limited financial resources; and party extremists exerted enough influence to make the establishing of an independent Republic of Taiwan an important DPP goal. The DPP leadership was aging, virtually all of them having served prison time; and the party leaders were at a loss for how to win more than 40 percent of Taiwan's voters. The KMT, however, also was in difficulty. Numerous scandals had surfaced to reveal KMT politicians accepting bribes and having ties with criminal elements. Some KMT members openly complained of Chairman Lee's dictatorial ways of managing the party and criticized the chairman's selection of "yes-men" rather than recruiting talented individuals who might disagree with the chairman. Consequently, a group of KMT members left the party in August 1993 in disgust with its chairman and formed the New Party. Their party candidates often denied KMT nominees the victory they normally might have won over competing DPP candidates.

Although local and national elections involved ever greater sums of money and an enormous amounts of time and energy, they had become a way of life, like the local elections of the past. The broad voting trends revealed that the KMT had begun to lose popular support: its majority in the Legislative Yuan in 1996 was marginal, and it held far less than the two-thirds majority it had previously enjoyed in the Second National Assembly. Even so, the KMT retained a working majority in local government and contin-

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parliamentary elections, 3) holding direct elections for the provincial governor and mayors of Taipei and Kaohsiung, 4) letting exiled dissidents return, 5) abolishing the 1968 "Temporary Provisions" of the Constitution, and 6) directly electing the president. See Virginia Sheng, "DPP's Soul Searching: To Oppose or Pitch In," *Free China Journal*, May 10, 1996, p. 7.

ued to dominate the national government by winning the first open, democratic election for president and vice-president on March 23, 1996 when President Lee received 54 percent of the vote. The political center had become more subordinated to the demands of civil society and the political parties.

The inauguration of President Lee and Vice President Lien Chan on May 20, 1996 concluded the first direct, democratic election for national leaders in Chinese history. Seven months later, on December 23, President Lee and the KMT initiated a five-day National Development Conference.<sup>14</sup> Prior consultation between the major political parties had produced consensus on three major issues: 1) streamlining the ROC economy to enhance productivity, economic growth, and structural change; 2) promoting a presidential-cabinet rather than parliamentary democracy; and 3) building further support for the government's China policy. But midway through the conference, President Lee and top DPP leaders agreed to downsize the Taiwan Provincial Government, an act that so enraged New Party participants that they walked out of the conference. Considerable inter-party acrimony followed.

After the National Development Conference, the president still managed to obtain enough backing from KMT and DPP members in the Third National Assembly to add eleven articles to the Constitution on July 18, 1997. These articles strengthened the president's power, especially to appoint the premier, modified the powers of parliament but did not necessarily strengthen that body, and emasculated the Taiwan Provincial Government. The president can nominate the fifteen Grand Justices for the Judicial Yuan, an unspecified number for the Examination Yuan, and twenty-nine Control Yuan members. The president can appoint or remove the Executive Yuan's premier and dissolve the Legislative Yuan without the premier's countersignature. The president also can nominate a new vice-president if that office becomes vacant. To be sure, the president's nominating power depends on the approval of the third National Assembly. A complex procedure allows parliament to compel the premier to resign; and with a two-thirds vote, parliament can impeach the president for "treason or rebellion" (but not high crimes and misdemeanors). The ROC's president-cabinet-

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14. Linda Chao, Ramon H. Myers, and James A. Robinson, "Promoting Effective Democracy Chinese Style: Taiwan's National Development Conference," *Asian Survey* 38 (July 1997), pp. 669-682.

style democracy<sup>15</sup> has been enhanced; and parliament "failed to gain watchdog powers to hold hearings, investigate government agencies, and audit government expenditures."

The public's demand for improved government and more accountability of officials has been reflected in recent local elections, which exhibited a more robust "subordinated" political center. On November 29, 1997, voters gave the DPP a great victory, leaving the KMT holding only eight of its former fifteen county and city chief seats and doubling the DPP's seats from six to twelve. The DPP now governs 70 percent of Taiwan's people and controls nearly three-quarters of the tax revenue generated for local governments. Voters increasingly perceive the KMT as favoring the rich and nominating legislators with links to criminal and corrupt elements. Moreover, the KMT no longer controls local factions as in the past; and more KMT members are rejecting party discipline by campaigning as nonparty nominees. The overall local election trend suggests that the DPP's support from the grass roots steadily grows.

In the "three in one" elections held on December 5, 1998, however, the DPP suffered a setback by not winning more than 29 percent of voters' support, compared to the high of 35.9 percent it won in the past. The number of elected DPP legislators slightly declined, while those of the KMT increased. Moreover, the DPP's most popular politician, Chen Shui-bian, was defeated by the KMT nominee, Ma Ying-jiou, for Mayor of Taipei in a ferociously contested election. Despite a preelection approval rating of 70 percent, the incumbent Chen lost by nearly 100,000 votes, because of a last-minute switch of New Party supporters who preferred casting their ballots for Ma rather than New Party candidate Wang Chien-hsien. Whether New Party supporters will return to the KMT in future national elections remains to be seen. But clearly those voters will influence future national elections. Even so, the voters in Kaohsiung elected the DPP candidate, Hsieh Ch'ang-t'ing, by a slim margin of 4,000-plus votes to give the DPP strong control over Taiwan's southern and central districts and cities.

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15. For the distinction between this form of government and parliamentary democracies, see Michael Laver and Kenneth A. Shepsle, *Cabinet Ministers and Parliamentary Governance*, Cambridge: Cambridge University Press, 1994, pp. 3 & 8-9.

### **The Challenge for the ROC Democracy**

As the “subordinated” political center has evolved, some distinctive political patterns will influence the ROC’s democracy. First, there is intense disagreement between entrenched political interests and reform-minded politicians about political reform. For example, many politicians want to abolish the Third National Assembly or amalgamate it with the Legislative Yuan to form a bicameral parliament. But this reform requires a three-quarters majority in the Third National Assembly to approve. Every National Assembly election only makes National Assembly persons more eager to retain that body and their privileges. The DPP also wants to reform the government’s five *yuan* into a judiciary, parliament, and executive governance structure, whereas a majority in the KMT prefer the Sunist structure. There is the great wealth imbalance between political parties, with the KMT possessed of enormous wealth and the DPP having little. This imbalance might change if the DPP won a presidential election, selected its cabinet, and passed new laws. The ruling party has long had monopoly control over intelligence information, only selectively sharing it with other political parties. But until the Legislative Yuan acquires more power to influence cabinet appointments, that condition will probably not change. Finally, there is growing dissatisfaction with the single, nontransferable vote and multicandidate electoral system, but entrenched interests resist reforming that institution.

At the heart of these governance issues is the ROC’s presidential-cabinet democracy. Chinese political culture and ideology have always endorsed an authoritarian governance structure; and, as the ROC’s democracy matured, presidential-cabinet democracy prevailed. The ROC Constitution, which affirms this governance structure, has two categories of rules: the first 174 articles, drafted and approved on December 25, 1947, apply to both the China mainland and Taiwan; the second category include the constitutional amendments made since spring 1991 to the present, which enable the ROC to function as a sovereign state separate from mainland China.

Another key factor relates to the struggles taking place in Taiwan’s political parties among leaders and elites over which ideas can persuade their parties to champion a platform to win voter support in future national and local elections. The dynamics of this struggle over ideas and for power will be the most important factor shaping Taiwan’s democracy in the years to come. In the KMT, the Lee Teng-hui era is ending; and Vice-President Lien Chan ap-



appears to be his successor. The KMT has been beset with factional struggle, but party chairman Lee contained these frictions by his firm control over the party's platform, its policies, and personnel appointments. How long Mr. Lee will insist on serving as KMT chairman and how well he brokers the party's choice of a nominee for the March 2000 presidential race remains to be seen. Any imprudent decisions by the chairman can divide his party and produce great political volatility.

President Lee's policies have generally satisfied Taiwan's voters. He skillfully healed the nation's wounds caused by the February 28, 1947, tragedy. He crafted the ROC's policy toward the PRC by designing the Unification Guidelines, by initiating "pragmatic foreign" policies to expand Taiwan's international relations, and by putting in place administrative laws and machinery to facilitate multiple exchanges between the ROC and PRC. His appointed cabinets have guided Taiwan's economy through difficult times and have steadily upgraded its capacities for elevating productivity and promoting structural change. His officials have provided for public security, welfare, and educational reform. In a remarkable way, Lee has been a consummate master at persuading the majority of citizens to reelect the KMT to power, thus avoiding political turnover. But his government's policy toward the PRC is gradually being criticized as unrealistic and might not be sustainable over the next five years if Beijing's leaders lose patience and believe that the ROC government intends to separate Taiwan from China.

And what of the DPP? Having a membership of little more than 100,000, poorly funded, and lacking experienced, charismatic leaders, the DPP has come an enormous way since its illegal formation on September 28, 1986. The party's leaders and elite have been divided for many years but always close ranks, achieve consensus on key policies, and differentiate their party's message from that of the KMT. The DPP must improve on these efforts if it expects to soar above the 40 percent voter barrier and force the KMT to yield political power. DPP policies are packaged to address corruption, public safety, clean politics, and welfare issues. They have steadily attracted more voters, especially when projected through television. But the greatest challenge is that of foreign policy.

DPP leaders cannot yet agree on a China policy that rejects the extremism of a small group — representing less than one-fifth of the population — which advocates the ROC's separation from the China mainland. Nor can the DPP conceive a China policy that convinces voters it is superior to that of the KMT. So far, the

party's leadership has agreed to the goal of ultimate "independence" and creating a Republic of Taiwan, although it declares that Taiwan already is an independent nation and has been so for a half century. But the KMT still retains majority support for its China policy. Voters want to maintain the *status quo* relationship between the ROC and PRC. Around 80 percent of the Taiwanese accept the ROC's isolation in the world order but insist on independence from the PRC, while having peaceful relations and improving cooperation and considering possible unification at some future time if there are true advantages.

The DPP needs a new China policy that most voters will support. That means creating a policy that not only promotes the *status quo* but also preserves the ROC's democracy, does not threaten the PRC, and yet holds forth the promise that a "cooperative framework" can be constructed between the two nations which eventually can lead to a "sovereignty-sharing arrangement" in which both nations will be independent but yet be part of "one" China. Only this kind of a cooperative framework can possibly assuage the fears of Beijing's leaders, moderate their long-standing Hong Kong formula for unification, and maybe win over the Taiwanese nationalists. How would such a political framework actually work? Ideally, there must be agreed-upon rules for how both the PRC and ROC can cooperate in national defense and foreign policy, but always under the principle that the sovereignty of "one" China must be shared equally and is a goal only to be realized peacefully and democratically in the future.

If DPP leaders had the courage and creativity to build an opposition party from only a small number of non-affiliated ruling party politicians in the 1950s and 1960s, they certainly should be able to conceive a cooperative framework by which Taiwan and mainland China can coexist peacefully and independently while promoting closer cooperation. Such a framework must be intensively studied and discussed freely between politicians and experts. Taiwan's voters must also be fully informed about how this arrangement could affect their livelihood and security. Ultimately, strong national consensus for this approach must be built within Taiwan before it can be presented to Beijing's leaders for political negotiations. This approach, as opposed to the KMT's China policy, does not impose long-term conditions on the PRC (e.g., to achieve true democracy and a high degree of wealth equity). Instead, it offers the PRC the hand of cooperation and alliance-building so sorely needed by that proud nation. If the DPP could develop a realistic

China policy, non-threatening to Beijing, it might win support from other nations, more willing than now to help the ROC preserve its hard-won democracy. The ROC's great strength is its democracy. In building their democracy, Taiwan's people have embraced freedom and human rights, created a new citizen from ethnic pluralism (the new Taiwanese citizen, recently introduced by President Lee), and built a new Taiwan-Chinese civilization. It will require great political creativity by the ROC's political parties to avoid imprudent decisions that might endanger that civilization. But the ROC's democracy has united the people, thereby releasing great creativity to deal with the challenges posed by the PRC.

When Alexis de Tocqueville observed early nineteenth-century America, he said: "Parties, indeed, may be found which threaten the future of the Union; but there is none which seems to contest the present form of government or the present course of society."<sup>16</sup> If democracy continues to unite Taiwan's people and nurture innovative thinking and creative policies, this unique Chinese nation should be able to deal with the domestic and external challenges now confronting it. Throughout the twentieth century, more nations have learned that democracy is a better way to resolve conflicts over nationalistic, religious, racial, and other questions than resorting to violence or committing national suicide. The task for the ROC's political parties is to improve democracy in creative, peaceful ways. As long as the ROC's leaders, elite, and people can agree that democracy is the most suitable means to resolve disagreements, their democracy can survive. Whether or not the ruling party shares more power with the opposition or is replaced by the opposition should only revitalize the first Chinese democracy. But democracy will only survive if the Taiwanese people continue to love their democracy, fight to preserve it, and creatively construct a new cooperative framework with the PRC to enable the ROC's democracy to become part of a revitalized Greater China civilization.

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16. Alexis de Tocqueville, *Democracy in America*, New York: Vintage Books, 1956, Vol. 1, p. 184.



## **Chapter 3**

### **IS THE DYNAMISM OF THE TAIWAN DEVELOPMENT MODEL UNDER CHALLENGE?**

*Cal Clark*

The Republic of China on Taiwan (ROC) is often referred to, with some justification, as an “economic miracle.” Not only has it experienced rapid growth throughout the entire postwar period, transforming itself from a poor agricultural to a prosperous industrial society, but this growth (unlike the more skewed development patterns in many other Third World nations) resulted in diminishing levels of inequality and the creation of a broadly based middle class. While political liberalization lagged considerably behind economic and social progress through the mid 1980s, the country made a remarkably smooth transition to a democratic system in the late 1980s and early 1990s, thereby adding political success to the ROC’s earlier economic accomplishments. Yet, Taiwan’s continued economic dynamism might be considered under challenge for two distinct reasons. First, the changed economic circumstances facing Taiwan (brought on, ironically, in large part by its past economic success) mean that substantial and difficult economic adjustments must be made. Second, since much of the ROC’s rapid economic growth occurred under an authoritarian regime, an important analytic question concerns whether democratization itself might create problems for economic development. This chapter, hence, seeks to evaluate Taiwan’s development model in the face of recent economic and political change.

#### **The Challenge of “Structural Transformations”**

During the postwar era, what has been called the “international product cycle” has worked to diffuse manufacturing and the enhanced economic growth that it brings from the advanced industrial societies to a significant number of developing nations or “newly industrializing countries” (NICs). In essence, the international product cycle refers to the life cycle of a particular good or product. Generally, new products are developed and produced in the most advanced industrial nations because they involve the latest

(and most expensive) technologies, are produced by very capital-intensive processes, and require highly skilled production workers. Over time, however, the production of the item becomes more standardized and labor-intensive. Thus, once capital and technology began to spread around the world rapidly after World War II, an ever accelerating diffusion of production commenced, first to other industrialized countries and ultimately to nations with semi-skilled low cost labor, thus explaining Third World industrialization and the growing competition faced by mature economies.<sup>1</sup>

Unfortunately for many newly industrializing countries (NICs), their comparative (or competitive) advantage in labor-intensive assembly operations is only transitory. If a country is successful in establishing light industry based on low-cost labor, high levels of employment and growing prosperity will almost inevitably lead to higher wages, pricing itself out of this niche in the global division-of-labor. Thus, by the late twentieth century the operation of the international product cycle meant that all industrialized and industrializing nations faced periodic crises of "structural transformation" as international competition and political change made their existing economic and governmental institutions obsolete and inefficient. Moreover, while the concept of structural transformation has been primarily applied to the economic processes just sketched, such economic changes transmit pressures to the social and political realm as well in many instances. For example, mass education and the growth of a middle class society that accompany rapid development in the NICs often force political liberalization upon authoritarian regimes.<sup>2</sup> However, democratization can disrupt economic policies as interest groups pressure governments to provide them particularistic benefits.<sup>3</sup> These various changes and pressures cumulate periodically to create crises of "structural transformation" in which a nation must alter its economic and political behavior considerably in order to sustain its economic and social dynamism. The profound nature of such structural adjustments, in addition, indicates the difficulties in making them. Two problems, neither easy to solve, must be overcome which in combination make structural transformation a daunting challenge. First, appropriate new eco-

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1. Robert Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987.

2. Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman: University of Oklahoma Press, 1991.

3. Samuel P. Huntington, *Political Order in Changing Societies*, New Haven: Yale University Press, 1968.

economic or political institutions must be visualized and then pursued, which in many cases can be quite difficult or problematic. Second, opposition to such structural change must be overcome, which can raise even more severe problems because important social, economic, and political groups and leaders will inevitably lose from the structural transformation and, therefore, resist change.

The challenge of economic structural transformation, moreover, is magnified by the sharply ongoing debate over what types of economic institutions can best promote economic change and development. *Laissez-faire* or neoclassical economic theory argues that the operation of free markets ensures efficient economic adjustment; and, indeed, rapid export-led growth in such East Asian nations as Taiwan during the 1970s and 1980s was widely viewed as confirming this approach.<sup>4</sup> In contrast, others argue that "late developers" need strong state intervention in the economy to overcome the advantages that established industries have due to imperfect global markets.<sup>5</sup> Interestingly, despite the earlier *laissez-faire* interpretations of East Asian economic success, the East Asian capitalist nations are now generally cited as leading examples of successful "strong and autonomous developmental states."<sup>6</sup> Given such a dissensus, then, selecting economic strategies becomes highly problematic.

### STRUCTURAL TRANSFORMATION IN TAIWAN: THE REAL "MIRACLE"?

In view of the difficulties in achieving structural transformations, perhaps the most impressive facet of Taiwan's economic miracle has been that the country has successfully negotiated several sharp structural transformation with what, in retrospect, appears to be surprisingly few problems. In particular, four periods of major structural transformation can be discerned: (1) the 1950s when the transformation away from an agricultural economy was consoli-

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4. Staffan Burenstam Linder, *The Pacific Century: Economic and Political Consequences of Asian-Pacific Dynamism*, Stanford: Stanford University Press, 1986.

5. Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays*, Cambridge: Harvard University Press, 1962.

6. Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, New York: Oxford University Press, 1989; James M. Fallows, *Looking at the Sun: The Rise of the New East Asian Economic and Political System*, New York: Pantheon, 1994; Chalmers A. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, Stanford: Stanford University Press, 1982; Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton: Princeton University Press, 1990.

dated, (2) the early 1960s to the early 1970s when the “export boom” revolutionized the economy and set off significant social changes as well, (3) the mid 1970s to the mid 1980s when substantial industrial upgrading occurred that was accompanied by the emergence of a middle class society and a significant political liberalization, and (4) the late 1980s and early 1990s when democratization and the “Mainland revolution” in economic orientation raised new challenges for the ROC. Figure 3.1 presents the principal components of each of these four structural transformations and a summary interpretation of the dominant form of market or state organization of the economy that made these structural changes possible.

**Figure 3.1: Structural Transformation of Taiwan’s Political Economy**

Transformation from Agriculture, 1950s

Mass Elementary Education

Land Reform

Import Substitution in Light Industry

Cooptation of Technocrats into Top Policy-Making Positions

Institution of Local Elections

Dominant Form: DEVELOPMENTAL STATE

Export Boom, early 1960s to early 1970s

Export-stimulating Liberalization

Evolution of Two-Sector Economy (large state-centered, small independent businesses)

Flourishing of “Confucian entrepreneurship”

Strong decline in economic inequality

Dominant Forms: NEO-CLASSICAL MARKETIZATION  
BUSINESS INDEPENDENT OF STATE  
STILL, STATE-INDUCED TRANSFORMATION

Industrial Upgrading and Political Reform, mid 1970s to mid 1980s

Heavy Industry Led by State Corporations

Beginning of High Tech

CCK Liberalization

Emergence of Middle Class Society

Emergence of Political Opposition & Social Movements



Dominant Forms: GROWING BALANCE BETWEEN STATE  
AND BUSINESS  
PARTIAL RE-EMERGENCE OF DEVEL-  
OPMENTAL STATE

Democratization and Decline of Labor-Intensive Industries,  
Present

Growing High Tech and Finance Industries  
“Mainland” Economic Revolution  
Privatization of State Corporations  
Democratization  
Money Politics  
Growing Gridlock in Policy-Making  
Conflictual Politics on the Surface of Growing Social Integration

Dominant Forms: GROWING INTERDEPENDENCE OF  
STATE AND BUSINESS

# **1. The Transformation from Agriculture**

When Chiang Kai-shek’s Kuomintang (KMT) regime moved to Taiwan in 1949, it faced an awesome set of problems. The Chinese communists on the other side of the narrow Taiwan Strait represented a huge security threat; the island itself had a stagnant economy that had not even fully recovered from the devastation of World War II; and the population of “Islanders” (i.e., long-time Chinese residents) were understandably sullen and hostile after repressive military rule in the late 1940s that culminated in the bloody “uprising” of February 28, 1947.<sup>7</sup> Yet, Taiwan, however surprising and shocking it would have been to an observer in 1950, was soon to become a phoenix, following an extremely rapid upward trajectory in first economic then social, and finally political development.

Once in Taiwan, the regime made several fateful decisions that would radically transform the nature of the economy and, ultimately, the social bases of the regime itself. On the one hand, the government insured its survival through considerable *repression*, placing top priority on “Mainland recovery” and ruling through a basically authoritarian governmental structure as a substantial de-

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7. Thomas B. Gold, *State and Society in the Taiwan Miracle*, Armonk, NY: M.E. Sharpe, 1986.

gree of repression was continued until the early 1970s.<sup>8</sup> On the other, the Chiang Kai-shek government, despite its coercive nature, also made a firm commitment to *reform*. In essence, the Kuomintang decided that internal reform was vital in the wake of its humiliating loss in the Chinese Civil War and, thus, added economic development and popular reconciliation to “mainland recovery” as high priorities on its agenda. Fortunately, the extension of the U.S. security umbrella to Taiwan after the outbreak of the Korean War gave the KMT the space to implement a set of reforms by removing the direct threat of communist invasion.<sup>9</sup>

The structural transformation of the 1950s had several distinct components. In the economic realm, major land reform and import-substitution programs led to massive economic change. The radical land reform program — which was probably motivated by desires both for social reform and for removing the rural gentry as a potentially competing elite to the KMT — had several important effects. It stimulated a surge in production and exports that helped pay for industrialization; it reduced social and economic inequality substantially, paving the way for rapid upward mobility; and it created a strong base of KMT support in the countryside. The import substitution was highly successful as well as Taiwan used protectionist walls to stimulate the manufacture of a wide variety of light industrial products that had previously been imported, although the primary beneficiaries of this were mostly Mainlanders and a few Islanders with strong political ties.<sup>10</sup>

There were also substantial political components to this structural transformation. Technocrats were recruited for top policy-making positions; and a system of local elections was instituted.<sup>11</sup> Both these institutional changes had long-run implications. The technocrats became leading advocates for further economic reform; and holding local elections necessitated recruiting Islanders into the lower and middle levels of the KMT because of their much greater competitiveness at the polls. Finally, in terms of social policy, the creation of universal primary education was extremely important as

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8. Gold, *Taiwan Miracle*; Alan M. Wachman, *Taiwan: National Identity and Democratization*, Armonk, NY: M.E. Sharpe, 1994.

9. Steven J. Hood, *The Kuomintang and the Democratization of Taiwan*, Boulder, CO: Westview, 1997.

10. Ching-yuan Lin, *Industrialization in Taiwan, 1946-1972: Trade and Import Substitution Policies for Developing Countries*, New York: Praeger, 1973.

11. Linda Chao and Ramon H. Myers, *The First Chinese Democracy: Political Life in the Republic of China*, Baltimore: Johns Hopkins University Press, 1998.

the first step toward creating the "human capital" that proved essential to later development.<sup>12</sup>

Overall, therefore, these five structural changes depicted in the top portion of Figure 3.1 greatly increased the economic and political capabilities of the Republic of China. Land reform and import substitutions resulted in greatly increased productive capacity; education policy and land reform stimulated the development of human capital; and technocrats and local electoral politicians made the regime more effective and flexible, especially in the long run. All these reforms were essentially dictated by the state; and at least land reform probably depended on the authoritarian government's independence from strong indigenous social forces. Thus, this first structural transformation was clearly the result of a "strong and autonomous developmental state" but also implies that an "autonomous state" can have very significant costs of political repression associated with it.

## 2. The Export Boom

Despite the marked success of the first structural transformation, the economic dynamism that it set off was clearly running out of steam by the late 1950s. The gains in agricultural productivity had been exhausted; and the domestic market for locally-produced light industrial goods was becoming saturated. Thus, the ROC faced the fateful choice of trying to upgrade its import substitution into heavy industry (which was favored by the military who wanted to develop a defense industry) or liberalizing its protected economy in the hope of exporting light industrial goods (which was opposed by many who doubted Taiwan's competitiveness) or following the path of least resistance and doing nothing. In the end, a coalition of domestic technocrats and U.S. advisors convinced Chiang Kai-shek of the wisdom of gambling upon Taiwan's potential competitiveness in light industry and labor-intensive production. The rest, as they say, is history. The export liberalization succeeded far beyond the expectations of even its advocates (in part because the international product cycle was just forcing first the United States and then Japan to move to off shore production in highly labor-intensive indus-

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12. Theodore E. Chen, "The Educational System: A Commentary," in James C. Hsiung, Ed., *Contemporary Republic of China: The Taiwan Experience, 1950-1980*, New York: Praeger, 1981, pp. 65-77.

tries). The decade-long export boom propelled growth rates of about 10% a year and transformed the domestic economy.<sup>13</sup>

In particular, the rapidly expanding economy moved toward a "two sector" configuration. In one sector, state corporations, multinational corporations, and a few large domestic corporations represented a continuity with the state-led industrial structure of the 1950s. In particular, the government's ability to recruit direct foreign investment and to channel it into a few targeted sectors is generally credited with playing a key role in stimulating Taiwan's export drive, unlike the experience of many other developing nations where foreign capital simply displaced domestic businesses. Thus, the government channeled foreign investment into export industries in which domestic businesses could not compete (most especially electronics), integrated MNCs into the overall economy with domestic-content legislation, and maintained state monopolies in those heavy industries usually dominated by foreigners.<sup>14</sup>

Second and in contrast, Taiwan's industrial structure has been marked by a much greater role for small and medium family-based enterprises than elsewhere in Asia except for Hong Kong. This system spawned complex subcontracting relationships among small entrepreneurs and became the dynamic core of many export industries relying on rapid and flexible production to meet customers' demands and on the aggressive and audacious entrepreneurship that has been called "guerrilla capitalism." This structure of production allowed businessmen to respond very quickly to market demand and reduced problems of excess capacity, thus promoting internal competitiveness and external flexibility. The rise of the small business sector in the ROC also represented the unleashing of what may be termed "Confucian entrepreneurship" which is a primary component of traditional Chinese culture. The strong concern with family, when combined with the Confucian emphasis on the importance of learning and education and on the virtues of hard work and deferred gratification, provides an incentive for savings and entrepreneurship to help build family fortunes, analogously to the individualism that has been seen as underlying Western capitalism. In addition, the economic success of this sector also created a new economic elite of Islander businessmen who were largely in-

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13. Walter Galenson, Ed., *Economic Growth and Structural Change in Taiwan: The Postwar Experience of the Republic of China*, Ithaca: Cornell University Press, 1979; Lin, *Industrialization*.

14. Steve Chan and Cal Clark, *Flexibility, Foresight, and Fortuna in Taiwan's Development: Navigating between Scylla and Charybdis*, London: Routledge, 1992.

dependent of the KMT. By the early 1970s they had come to form something of a counterelite to the still Mainlander-dominated political leadership who informally represented local society to the top authorities.<sup>15</sup>

A fortuitous confluence of several disparate factors, in addition, produced rapidly declining income inequality, which led to Taiwan's being termed a fairly rare case of "growth with equity." First, the land reform of the 1950s produced a strong drop in rural inequality. Second, the growing role of small business helped promote the geographic dispersion of industry in Taiwan that in turn facilitated socioeconomic equality by enabling under-employed agricultural workers to seek part-time factory work. Third, the success of the export drive produced full employment by the late 1960s that subsequently drove up wages. Finally, mass education greatly expanded the human capital base from which Confucian entrepreneurs and industrial workers could spring.<sup>16</sup>

This second structural transformation again augmented the productive capacity of the ROC by introducing a powerful new economic actor into the equation, the small business proprietor; and the resulting dynamics set off by this change created a new elite segment who could broaden the polity a bit. This success was clearly based on the capabilities that had been established by the first adjustment. Technocrats were the driving force behind the export liberalization; without the period of import substitution, necessary industrial skills and structures would not have existed; and the human capital created by Taiwan's educational system and by the land reform were vital for rapid industrial expansion. In contrast, the "dominant forms" of this structural transformation were much different from those of the first period. Rather than the strong developmental state that was at the core of the first period of adjustment, the export boom was marked by "marketization" and by the creation of the small business community as a "sector of society independent from the state." Still, the role of the state was deter-

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15. Susan Greenhalgh, "Families and Networks in Taiwan's Economic Development," in Edwin A. Winckler and Susan Greenhalgh, Eds., *Contending Approaches to the Political Economy of Taiwan*, Armonk, NY: M.E. Sharpe, 1988, pp. 224-245; Danny K.K. Lam and Ian Lee, "Guerrilla Capitalism and the Limits of Statist Theory," in Cal Clark and Steve Chan, Eds., *The Evolving Pacific Basin in the Global Political Economy: Domestic and International Linkages*, Boulder, CO: Lynne Rienner, 1992, pp. 107-124; Ian Skoggard, *The Indigenous Dynamic in Taiwan's Postwar Development: The Religious and Historical Roots of Entrepreneurship*, Armonk, NY: M.E. Sharpe, 1996.

16. John C.H. Fei, Gustav Ranis, and Shirley W.Y. Kuo, *Growth with Equity: The Taiwan Case*, New York: Oxford University Press, 1979.

minative in the sense that explicit government policies launched the reforms.<sup>17</sup> What occurred, therefore, was that the state (probably far from totally intentionally) led the economic adjustment by creating an “environment” for independent economic activities, instead of continuing to exercise direct power over the economy.

### 3. Industrial Upgrading and Political Reform

Just as Taiwan’s import substitution was limited by the domestic market’s ability to absorb light industrial goods, the export boom based on labor-intensive production was self-limiting as well. The success of the export boom led to rising wages and social prosperity which, unfortunately, began to price Taiwan out of the low-cost labor niche in the global division of labor. This emerging problem was exacerbated, furthermore, by the two huge jumps in energy prices during the 1970s that rocked Taiwan’s trade dependent economy. The ROC responded to this new challenge by pursuing industrial upgrading along two very different paths. One might be called the “re-emergence of a developmental state” in that it was based on massive government spending for infrastructure projects and the leadership of state corporations in establishing heavy industry (e.g., steel and petrochemicals) on the island.<sup>18</sup> The other was the upgrading of some of the leading guerrilla capitalists from low tech assembly to more high tech production (i.e., from textiles to toasters to basic electronics assembly to computers) as they gradually “learned” each business and became increasingly able to incorporate technology advances.<sup>19</sup>

Industrial upgrading also required an increasingly skilled and professionalized workforce which depended upon the expanding education system. In turn, these economic changes created a middle class society which supported progressive economic policies but also demanded the “withering away” of the authoritarian political system. Thus, Taiwan’s rapid growth and industrialization ultimately generated pressures for political liberalization and democratization from two distinct sources. One was the new Islander business elite who felt increasingly constrained by the Mainlander-dominated government’s control over political power, while the other was the expanding professional and educated middle class who believed that they deserved to be allowed to participate in

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17. Chan and Clark, *Flexibility*; Wade, *Governing the Market*.

18. Gold, *Taiwan Miracle*; Wade, *Governing the Market*.

19. Greenhalgh, “Families and Networks;” Lam and Lee, “Guerrilla Capitalism.”

politics. Among the political elite, this political liberalization proceeded along two separate but interacting paths, as described by Ramon Myers in Chapter 2. From “above,” Chiang Ching-Kuo (CCK), Chiang Kai-shek’s son, instituted a major program of liberalization after he became Premier in 1972 that included bringing more Islanders, technocrats, and younger leaders into top positions, progressively relaxing authoritarian controls, and supporting a variety of policies consistent with middle class aspirations. From “below,” the opposition became more vocal and assertive; and more “nonpolitical” social movements (e.g., anti-pollution and women’s rights groups) emerged which challenged the regime’s hegemony more indirectly.<sup>20</sup>

Again, the third period of transformation produced greater capabilities for Taiwan’s political economy that built upon past accomplishments. It entered new industries that were higher on the scale of sophistication and value-added; and liberalization clearly produced significant political development as well. Underlying the expansion of both political and economic capabilities was the growth of the ROC’s “human capital” as connoted by the emergence of middle class society. While a secondary part of this structural adjustment involved the “re-emergence of the developmental state,” the central elements really created much more of a “balance between state and society.” A gap certainly still existed between the regime and the bulk of the population (i.e., society). However, the power and capabilities of the state and society had become much more balanced, making it very hard to label Taiwan a “strong and autonomous developmental state” any longer.

#### 4. Democratization and Decline of Labor-Intensive Industries

In the late 1980s and early 1990s, political reform pushed ahead of economic change in the headlines and in most analyses of the evolving political economy in the Republic of China as Taiwan became a functioning democracy. Competitive two-party elections between the KMT and opposition Democratic Progressive Party (DPP) emerged; and legislative politics (e.g., within the Legislative Yuan, National Assembly, and National Development Conference) became quite complex, involving shifting alliances within and be-

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20. Chao and Myers, *First Chinese Democracy*; Yun-han Chu, *Crafting Democracy in Taiwan*, Taipei: Institute for International Policy Research, 1992; John F. Copper, *A Quiet Revolution: Political Development in the Republic of China*, Washington, DC: Ethics and Public Policy Center, 1988; Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China*, Stanford: Hoover Institution Press, 1989.

tween parties. Democracy brought some political costs as well, however, in the forms of escalating corruption and “money politics,” increasingly raucous and confrontational political activities (within as well as between parties), and, as a consequence, a growing “gridlock” in policy-making.<sup>21</sup>

While economic change was perhaps less spectacular than in previous structural transformations (especially compared to the “revolution” in political affairs), major shifts could clearly be discerned in the early 1990s. The Republic of China’s economic record during the 1990s averaged 5% - 7% real growth annually — which would be the envy of nearly any other nation in the world. Something less visible was seemingly occurring! This something, one might venture, was that Taiwan’s businesses continued to respond very effectively to market signals and pressures. In particular, two very distinct types of changes appear to be occurring in Taiwan’s economy. First, there is a substantial upgrading into high tech industry, such as computers and semiconductors, and into high end products in more traditional fields from sporting goods to steel — that is, moving upward into “sunrise industries.” These high tech industries are continuing to evolve and are bringing state research labs and the leading private firms closer together. The state’s contribution here is mostly indirect, for example through support for the Science-based Industrial Park in Hsinchu.<sup>22</sup> In addition, the liberalization of financial markets stimulated the growth of this sophisticated service industry, but also helped fuel speculative upheavals in the stock market and in urban housing and land prices.<sup>23</sup>

Second, the ability of Taiwan’s firms to respond to the challenge of declining “sunset industries” is just as remarkable. In response to Taiwan’s changing niche in the international product cycle in the mid and late 1980s, many of Taiwan’s businesses began to move labor-intensive parts of production “off shore.” While the

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21. Chao and Myers, *First Chinese Democracy*; Hung-mao Tien, Ed., *Taiwan’s Electoral Politics and Democratic Transition: Riding the Third Wave*, Armonk, NY: M.E. Sharpe, 1996.

22. Tun-jen Cheng, “Political Regimes and Development Strategies,” in Gary Gereffi and Donald L. Wyman, Eds., *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*, Princeton: Princeton University Press, 1990, pp. 139-178; N.T. Wang, Ed., *Taiwan’s Enterprises in Global Perspective*, Armonk, NY: M.E. Sharpe, 1992.

23. Christina Y. Liu, “Money and Financial Markets: The International Perspective,” pp. 195-221 in Gustav Ranis, Ed., *Taiwan: From Developing to Mature Economy*, Boulder, CO: Westview, 1992.



first flows in this investment were concentrated in Southeast Asia, the “opening” of the Chinese mainland in the late 1980s<sup>24</sup> made it a prime location for new factory sites for many Taiwanese business people. China needed investment and entrepreneurial know-how, while Taiwan’s businesses in labor-intensive assembly activities (e.g., textiles, shoes, and low tech electronics) were facing a “structural” crisis as rapidly rising wage costs and growing protectionism in the U.S. and other developed markets had gravely eroded their international competitiveness. The Chinese Mainland appeared as a very enticing target for their commercial expansion for several important reasons. China has unlimited low-cost labor; language and cultural ties were very strong; and pragmatic provincial leaders offered substantial incentives to invest in export industries. Consequently, a tremendous growth in trade and investment across the Taiwan Strait occurred during the 1990s that was only slightly affected by such political events as Tiananmen Square in 1989 and the Taiwan Strait crisis of 1995-96.

In fact, by the mid 1990s, there even appeared to be something of a movement toward economic integration between Taiwan and southern coastal China, especially Fujian Province which many Taiwanese “Islanders” (who dominate the small business sector) regard as their homeland. Thus, trade and especially investment across the Taiwan Strait reflect a complementarity between the two economies. Taiwan exported two principal types of products to China. First, there is an export concentration in intermediate products for processing by the factories being established by Taiwan businessmen and in machinery destined for these factories. Second, China also serves as an outlet for some of Taiwan’s cheapest finished goods. Both types of trade, therefore, imply a growing complementarity between the more developed Taiwan and the less developed China.<sup>25</sup>

Perhaps because this final structural transformation is not yet complete, it appears more problematic than the first three in that increases in some capabilities (high tech industry, integration into

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24. Ralph N. Clough, *Reaching Across the Taiwan Strait: People-to-People Diplomacy*, Boulder, CO: Westview, 1993.

25. Chu-yuan Cheng, “Economic Relations Across the Taiwan Straits: Mutual Dependence and Conflicts.” Paper presented at the 16th International Conference on Asian Affairs, St. John’s University, 1998; Yu-shan Wu, “Economic Reform, Cross-Straits Relations, and the Politics of Issue Linkage,” in Ten-jen Cheng, Chi Huang, and Samuel S.G. Wu, Eds., *Inherited Rivalry: Conflict Across the Taiwan Straits*, Boulder, CO: Lynne Rienner, 1995, pp. 111-133.

international production networks, and democratic politics) are offset by decreasing capabilities in other areas (the rampant speculation of "casino capitalism," growing dependence on the rival PRC, and political corruption and gridlock). In structural terms, the political economy is marked by a "growing interdependence of state and society" that has both positive (the development of the high tech fields) and negative (burgeoning corruption and money politics) consequences. Thus, the success of this latest response to the "challenges of market adjustment" remains something of an open question.<sup>26</sup>

### **Reexamining the Paradigm for Taiwan's "Economic Miracle"**

Taiwan has undergone four major periods of "structural adjustment" over the last five decades. Each of these four periods included substantial changes in both economic and political institutions. Each of the first three clearly resulted in an increased capacity for Taiwan's political economy to be productive and competitive; and their various elements worked together quite well. However, many of these interactions and synergisms appear to have been fortuitous, rather than the result of a predetermined "grand strategy." In addition, the roles of market, state, and society varied considerably in each of the four transformations. Thus, Taiwan's remarkable ability to go through major structural transformations obviously involves a complex set of circumstances and forces.

The Taiwan "economic miracle" has produced a continued economic dynamism that has now lasted almost half a century, certainly no "flash in the pan." This dynamism has several important dimensions. First and most simply, the ROC has a record of sustained rapid growth dating back to the 1950s. Second, the country's ability to negotiate a succession of potentially wrenching structural transformations is certainly impressive. Third, each of these transformations has been based on resources created by previous transformations and has in turn generated new resources and higher capacities in both the public and private sectors. Finally, Figure 3.1 implies a more subtle but perhaps even more important dynamic. This is the substantial shifts that have occurred in the roles of mar-

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26. Yun-han Chu, "The Realignment of State-Business Relations and Regime Transition in Taiwan," in Andrew MacIntyre, Ed., *Business and Government in Industrializing East and Southeast Asia*, Sydney: Allen & Unwin, 1994, pp. 113-141; Cheng-tian Kuo, "Private Governance in Taiwan," in Steve Chan, Cal Clark, and Danny Lam, Eds., *Beyond the Developmental State: East Asia's Political Economies Reconsidered*, London: Macmillan, 1998, pp. 84-95.

ket, state, and society in the Taiwan economic model over time with each change allowing the political economy to utilize its expanding capacity, thereby creating an “eclecticism beyond orthodoxies” in Taiwan’s development strategy.<sup>27</sup> Thus, flexibility, rather than any permanent structural configuration, constitutes the hallmark of Taiwan’s economic “paradigm.” Despite the problems outlined in the first part of the last section (e.g., increased rent seeking activities and growing corruption), this paradigm seems to be still operative as the Republic of China moves into the 21st century.

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27. Chan and Clark, *Flexibility*.



## Chapter 4

### IS TAIWAN INDEPENDENCE PASSE? PUBLIC OPINION, PARTY PLATFORMS, AND NATIONAL IDENTITY IN TAIWAN

*Shelley Rigger\**

Taiwan's President Lee Teng-hui made headlines in the summer of 1999 when he described ties between the Republic of China on Taiwan and the People's Republic of China on the mainland as "special state-to-state relations." The Chinese government launched a furious counterattack, while the US government bemoaned the statement, which it characterized as an untimely provocation. One observer went so far as to call Lee's position "tantamount to declaring independence." Lee's government quickly clarified its policy, emphasizing that the ROC's ultimate goal had not changed: it still was committed to the unification of Taiwan with mainland China. However, ROC officials explicitly repudiated the notion, much valued in Beijing, that Taiwan was a local entity within the PRC. On the contrary, they argued that the China to which both sides aspire does not yet exist. Lee's remarks sparked a storm of international criticism; the only place in which his comments met with widespread approval was Taiwan itself. For to most Taiwanese, Lee was simply stating the obvious. Many found the timing of his announcement ill-advised, as it might incite Beijing and Washington against Taipei, but the substance of his statement met with little challenge.

Taiwanese citizens' understanding of their island's identity has evolved gradually, absorbing vast amounts of time, attention and passion. But, while there still is much that is contested, after 50 years as the "ROC on Taiwan," there is a broad consensus on the island about what it is, and who its people are. The popular understanding of Taiwan's identity incorporates two dimensions: the island's political status and the identity of its people. On both of these levels, Taiwan in the late 1990s reveals an outlook Christo-

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pher Hughes has called “post-nationalist.”<sup>1</sup> On the first dimension, Taiwan’s political status, most Taiwanese distinguish between sovereignty (which Taiwan is unlikely to attain) and autonomy (which they view as essential). The debate is no longer between formal independence and political unification with the mainland. Instead, Taiwanese today debate about how best to preserve the *status quo*: political autonomy without nationhood. Put another way, the quest for Taiwan Independence is dead; what lives on is a desire to maintain Taiwan’s autonomy, understood as the preservation of the *status quo*. Unification (defined as the formal, political amalgamation of the ROC and the PRC, or the victory of one over the other) is dead, too. What lives on is the idea of a Greater China, which will be integrated culturally and economically (although there are many ideas about how far this should go), but will preserve each side’s political autonomy.

After years of flirting with explicitly pro-independence positions, the major opposition party, the Democratic Progressive Party (DPP), has backed away from formal independence as a goal. Its position is barely distinguishable from that of the ruling party, the Kuomintang (KMT). The two parties’ views have converged at the center of the political spectrum, where each one struggles to establish itself as the “party of the *status quo*.” In both cases, this requires redefining the *status quo* as well as long-standing party platforms. But the politicians and parties that refuse to couch their pro-independence views in the language of “preserving the *status quo*” have experienced devastating political losses, as have those most closely associated with unificationism.

On the question of who the Taiwanese people are, the December 1998 mayoral and legislative elections marked a turning point. Taiwan’s President Lee Teng-hui added drama to the Taipei mayoral campaign when he asked the KMT nominee, Ma Ying-jeou, “Where is your homeplace?” Ma, a Mainlander, replied in broken Minnan dialect, “I’m a New Taiwanese, eating Taiwanese rice and drinking Taiwanese water.” Soon after, Ma won the mayorship with 51 percent of the vote. The “New Taiwanese” concept finally had hit its target.

This new category embraces all Taiwan residents, regardless of their place of origin or time of arrival on the island. It rejects the line traditionally drawn between “Taiwanese” (whose ancestors

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1. Christopher Hughes, *Taiwan and Chinese Nationalism*, London: Routledge, 1997.

moved to the island before 1895) and “Mainlanders” (who arrived after World War II). “New Taiwanese” is a post-nationalist category: it recognizes the plasticity and artificiality of the social construction we call identity; and because of this, it flourishes in a Taiwan that has moved beyond the independence - unification dichotomy. “Taiwanese” and “Mainlander” are nationalist categories; they map onto political identities. “New Taiwanese” rejects the essentializing definition of ethnicity the old categories implied; and it also casts off the political assumptions that made many Taiwan residents reluctant to identify with the old terms. In short, the end of the independence - unification debate facilitated the acceptance of the “New Taiwanese” identity. The substance of the “New Taiwanese” identity was available much earlier (P’eng Ming-min talked about a similar idea in the 1960s, and Chiang Ching-kuo referred to himself as Taiwanese in the 1980s), but the polarizing effects of the independence - unification debate prevented the concept from gaining traction. Thus, the popularity of the “New Taiwanese” identity mirrors the consensus that has emerged in favor of preserving the *status quo*.

Taiwan’s evolution from dogmatic debates over “final solutions” to pragmatic discussions about how to preserve what its citizens truly want and need makes Taiwan an extraordinarily progressive example in history, especially at this moment. The willingness of its people to live with ambiguity and to trade ideological satisfaction for actual freedom makes Taiwan a model in a world driven by its passion for sovereignty to ethnic cleansing and genocide. How did Taiwan reach this point? Where did the Taiwanese get the idea that there might be other options besides independence and unification, Taiwanese identity and Chinese identity?

To understand the logic of the contemporary debate over Taiwan’s national identity we need to desegregate the concept of “national identity” itself. We can no longer merge questions about personal identity and political affiliation into a single notion. Seeing identity in shades of gray has long been the norm among ordinary Taiwanese, but elite, both political and academic, long insisted on defining the national identity issue in black-and-white terms. As a result, political parties and social scientists only recently have recognized the extent to which Taiwanese are ready to embrace new identity concepts. Central to this new mode of self-identification is the conviction that claiming a Taiwanese identity (or an identity that combines Taiwanese and Chinese elements) does not make one an independence advocate.

Elite, whether in Taiwan, Mainland China or the United States, tend to assume a dichotomous definition of Taiwan's national identity. They believe the question of Taiwan's status must be resolved and that its resolution must take the form either of political unification or of full independence. But this construction of the issue is problematic, however obvious it may seem on its face. Unlike elite, most ordinary Taiwanese do not desire a concrete resolution in these terms. For them, the ideal future is the present, the *status quo*. Their goal is not an end state, but a process, one that will allow Taiwan to continue to imagine itself as Chinese while continuing to enjoy political autonomy. Most Taiwanese prefer not to "resolve" the national identity issue at all, not only because they are afraid to challenge Mainland China, but also because their answer to the question "Do you prefer independence or unification?" is "no."

What we have come to call Taiwan's "national identity question" has consumed countless hours of discussion and mountains of paper; it is a preoccupation of scholars, politicians and ordinary Taiwanese. But the way the national identity issue has been constructed in Taiwanese politics has forced a false choice on the Taiwanese people, a choice many refuse to make. Only by abandoning polarized positions on the issue can the political parties forge strong links with Taiwanese society. The problematic nature of elite thinking on the issue is evident not only in the policy options offered by Taiwan's political parties, but also in the way social scientists operationalize the concept of national identity. In general, politicians and political scientists have defined an individual's position on the national identity issue as his or her preference for Taiwan independence or for unification with Mainland China. As a matter of fact, however, most Taiwanese do not prefer either of these outcomes, as survey after survey has shown. This leaves the majority of respondents in "residual" categories (prefer the *status quo*, no answer, don't know) which are rarely examined.

Within the last few years, this state of affairs has begun to change both in the political realm and among social scientists. The positions of Taiwan's two major political parties, the Kuomintang (KMT) and the Democratic Progressive Party (DPP), have begun to converge on a moderate approach to the national identity problem. While the parties continue to pay lip service to polarized positions (the KMT still calls for unification, while the DPP charter still contains a pro-independence plank), their concrete policy recommendations increasingly support the *status quo*: they would con-



tinue Taiwan's *de facto* autonomy, while eschewing a formalized declaration of independence. By doing so, the parties finally have brought their policies into line with the preferences of most voters. Social scientists, too, are beginning to deconstruct (or reconstruct) the concept of national identity. Liu I-chou's recent paper entitled "The Taiwan People's National Identity - a New Survey Method" is an important effort to unpack the national identity concept and make it more useful for analyzing public opinion across the spectrum.<sup>2</sup> Liu's findings support the moderate policy direction the two major political parties have chosen.

### **The Political Parties' Evolving Views of National Identity**

Taiwan's political opposition did not set out to make independence the central issue in ROC politics. While many early opposition figures felt their Taiwanese identity acutely, their political platform was aimed at realizing the democratic promise of the ROC constitution, not overhauling the very definition of the state. The first DPP platform summarized the goals that had motivated the opposition throughout the 1970s and 1980s: "...complete renewal of membership to the [Legislative Yuan and National Assembly] through elections; release of political prisoners; freedom of the press, freedom to establish new political parties, and freedom of assembly and demonstration; accelerated admission of native Taiwanese to positions of political power; popular election of the governor of Taiwan province and the mayors of Taipei and Kaohsiung. . .; repeal of the National Security Law [martial law]; and divestment of KMT business interests. . ."<sup>3</sup>

These objectives fell into two broad categories: political reform and ethnic justice. These two notions intersected in the demand for self-determination. To many conservatives, self-determination was a euphemism for Taiwan independence. However, not all opposition activists were guilty of this deception. In fact, the self-determination plank that appeared in *Tangwai* and DPP platforms throughout the 1980s can be read as opposition to unilateral action by an unelected KMT regime, rather than as a preference for independence. Robert Sutter captured the range of

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2. I-chou Liu, "The Taiwanese People's National Identity - A New Survey Method" (*Taiwan minzhong de guojia rentong - yi ge xin de celiang fangshi*). Paper presented to the Annual Conference of the ROC Political Science Association, Taipei, 1998.

3. Robert Sutter, *Taiwan Entering the 21st Century*, Lanham, MD: University Press of America, 1988, pp. 48-49.

opinion within the DPP well when he wrote, "For moderate members of the DPP, self-determination means greater political power for the majority of Taiwanese, to be accomplished by equitable campaigns, open elections, and divestment of KMT business interests. Other members of the DPP assert — at least implicitly — that the Taiwanese electorate would abandon the goal of reunification if given a choice. In this view, self-determination could be seen as a veiled call for Taiwan independence."<sup>4</sup> Sutter's analysis of the DPP's founding platform reveals two important points. First, the DPP's eventual decision to advocate independence was not inevitable. Self-determination was a meaningful goal in itself; it was not merely a code word the party used to get around the laws against advocating independence. Second, many oppositionists believed that the KMT's treasured ambition of unifying Taiwan with Mainland China was not consistent with the will of Taiwan's majority. And if most Taiwanese did not support unification, the opposition activists assumed this meant they preferred independence. These beliefs were based on impressionistic experience, not hard data.

Academia Sinica's 1984 study found strong support for unification. Asked to agree or disagree with the statement "Unifying China is more important than building Taiwan," 57% of the respondents expressed agreement (22% strongly agreed, 18% agreed and 17% somewhat agreed). Only 14% expressed disagreement, compared to 29% who didn't know, had no opinion, or refused to answer.<sup>5</sup> Nor had the situation changed very much by 1990. In that year, three-quarters of the respondents told Academia Sinica researchers that Taiwan should not break with China and become a new country; and the same fraction agreed with the statement "Taiwan is part of China."<sup>6</sup> That same year, a study by Public Opinion Research Foundation found that 67 percent of Taiwanese disapproved of the Taiwan Independence Movement, while only 12.5 percent approved of it.<sup>7</sup> The independence advocates dismissed these results, claiming that respondents were afraid to express their true preference or were afflicted by false consciousness.

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4. Sutter, *Taiwan*, p. 49.

5. Hai-yuan Ch'u, *Taiwan diqu shehui bianqian jiben diaocha jihua, diyi qi diaocha zhixing baogao*, Taipei: Academia Sinica, Institute of Ethnology, 1993, p. 151.

6. Hai-yuan Ch'u, *Taiwan diqu shehui bianqian jiben diaocha jihua, di'er qi di'er ci diaocha zhixing baogao*, Taipei: Academia Sinica, Institute of Ethnology, 1991, pp. 133 & 135.

7. Ying-jeou Ma, "The Republic of China's Policy Toward the Chinese Mainland," *Issues and Studies* 28 (June 1992), p. 30.

From the DPP's founding in 1986 until 1991, the party maintained an ambiguous stance on the national identity issue. This state of affairs echoed the deep rifts within the party, which was a coalition of anti-KMT forces from across the ideological spectrum. As Kuo Cheng-liang, a former DPP spokesman and political scientist puts it, the party was divided over whether to emphasize democratic procedures (the holding of a referendum on national identity) or substantive outcomes (Taiwan independence). This was a major source of division between the Formosa and New Tide factions.<sup>8</sup> When questioned about the DPP platform's self-determination plank in a 1989 interview with the Hong Kong magazine *The Nineties*, party spokesman Yu Ching refused to say whether it constituted an endorsement of Taiwan independence. Yu's refusal almost certainly grew out of a desire to avoid exposing factional conflict. The DPP leadership included some well-known opponents of independence, including Huang Hsin-chieh, Chu Kao-cheng and Yu Teng-fa. According to *The Nineties*, the moderate Formosa faction "... emphasizes Taiwan residents' self-determination (namely deciding their future on their own), stresses political openness, and seeks a checks-and-balances government." The Progress faction, led by Lin Cheng-chieh, a Mainlander, opposed Taiwan independence. Meanwhile, the New Tide faction, under the leadership of Chiu Yi-jen and Wu Nai-jen, took a pro-independence position.

The DPP's struggle intensified after the ROC government lifted martial law in 1987. Although independence advocacy remained illegal, the law was rarely enforced; and this emboldened the DPP's radicals. The political reforms enacted between 1989 and 1992 — including lifting martial law, increasing the number of locally-elected national legislators, easing restrictions on the mass media and legalizing opposition parties — not only reduced the disincentives to openly advocate independence, but also gave the DPP strong incentives to do so. As Cheng and Hsu put it, "... After the KMT leadership promised a democratic transition in 1986 . . . the issue of democratic reform gradually lost its political utility. For electoral mobilization, the DPP began to stress the issue of ethnic cleavage."<sup>9</sup> This shift strengthened the party's pro-independence wing, which was comfortable with the rhetoric of Taiwanese nation-

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8. Cheng-liang Kuo, *The DPP's Painful Evolution* [*Minjindang zhuanxing zhi tong*], Taipei: Commonwealth Publishing Co., 1998, p. 62.

9. Tun-jen Cheng and Yung-ming Hsu, "Issue Structure, DPP's Factionalism and Party Realignment," in Hung-mao Tien, Ed. *Taiwan's Electoral Politics and Democratic Transition*, Armonk, NY: M.E. Sharpe, 1996, p. 145.

alism. Especially vocal on the issue were independence activists who returned to Taiwan from exile after martial law was lifted.<sup>10</sup>

In 1988, the DPP incorporated two new planks into its platform, stating: "Taiwan's independent international sovereignty is not equivalent to the People's Republic of China with Beijing as its capital" and "Any change in Taiwan's international status must have the approval of all Taiwan residents."<sup>11</sup> On April 17, 1988, the DPP National Congress passed a resolution based on Chen Shui-bian's "Four Hypotheticals," stating "Taiwan independence is one possible scheme for solving the Taiwan issue. The ruling party authorities should not forbid it. . . . Should the Kuomintang and the Communists enter into one-sided peace talks, should the Kuomintang sell out the interests of the people of Taiwan, should the Chinese Communists unify Taiwan, and should the Kuomintang not institute genuinely democratic constitutional government, this party advocates independence for Taiwan."<sup>12</sup> This position, while more explicitly sympathetic to independence than the DPP's earlier platform, still fell short of endorsing Taiwan independence unconditionally. It did, however, introduce Taiwan Independence as an option; and it placed the responsibility for the DPP's decision on the issue in the hands of the KMT and CCP.<sup>13</sup>

Electoral results and public opinion surveys suggest that the DPP's ambiguous stance on the independence issue was in synch with the views of the general public. The share of votes captured by the DPP and its predecessor, the *Tangwai*, grew steadily throughout the 1970s and 1980s. According to surveys, the proportion of voters who approved of independence was small, under fifteen percent in most surveys. Nonetheless, some pro-independence candidates did well, in part because of structural factors. Under the ROC's system of single, non-transferable voting in multi-member districts (the SNTV system), candidates need only a small share of the vote to be elected (often less than 20 percent). The system gives candidates with small but dedicated followings a strong advantage over more moderate candidates.

Candidates who were willing to come out publicly for independence were in a good position to benefit from these conditions; and Beijing's plummeting popularity after the Tiananmen Incident of 1989 further emboldened them. That year, eight members of the

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10. Hughes, *Taiwan*, pp. 43-44.

11. Kuo, *Painful Evolution*, p. 65.

12. JPRS-CAR-90-019, March 8, 1990, p. 81.

13. Kuo, *Painful Evolution*, p. 65.

New Tide faction joined together to form the pro-independence "New Nation Alliance" to contest seats in the December legislative election. All eight were elected, a stunning accomplishment. It would be a mistake, however, to interpret this result as evidence of widespread support for independence among the electorate. In fact, pro-independence sentiment was rare, but intense. In a September 1990 interview, one of the New Nation Alliance's successful legislative candidates, Hsieh Chang-ting, told Hong Kong's *Kuang Chiao Ching* that he had won his 1989 race in spite of his affiliation with the Alliance. He did not deny supporting independence, but said he would not initiate such statements, either.<sup>14</sup> Clearly, Hsieh preferred not to be pigeonholed as an independence zealot. After the New Nation Alliance's success, the DPP became more sympathetic to the independence cause, but its official position remained ambiguous.

The DPP stayed on the fence through 1990, stressing self-determination and opposition to forcible unification: "The DPP's position on Taiwan's future is the 'people's self-determination,' and it maintains that all inhabitants should jointly determine their common destiny . . . . As Taiwan's largest opposition party, the DPP has the responsibility to reflect the aspirations of the masses of society, to vigorously try to obtain accelerated implementation of constitutional government reform, and to avoid Taiwan's losing its way in the abyss of unification."<sup>15</sup> According to a resolution adopted on October 7, "Our country's actual sovereignty does not extend to mainland China or Outer Mongolia. Our country's future internal political and constitutional system and its foreign policy should be built upon its actual territorial boundaries."<sup>16</sup>

At this point, even the New Tide faction recognized that there was far more political gain to be had in opposing unification than in advocating independence. As New Tide legislator Lu Hsiu-yi explained, "Ask the same person 'whether he accepts CPC [Communist Party of China] rule' and 'whether he advocates Taiwan independence,' and you may get some intriguing answers. Fearful that independence may lead to military threats from the CPC and profound change, the person may come out against Taiwan independence. But if it is phrased in terms of maintaining the *status quo* and resisting unification with or incorporation into Communist

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14. JPRS-CAR-90-081, pp. 55-62.

15. JPRS-CAR-90-084, p. 73.

16. Kuo, *Painful Evolution*, p. 66

China, I believe the proportion of people who say yes will be very high. To the CPC, this is independent Taiwan, which has more support in Taiwan society than Taiwan independence. But what is independent Taiwan? What is Taiwan independence? There are many interpretations. . ."<sup>17</sup>

Lu Hsiu-yi distinguished between Taiwan Independence (*Tai du*) and an independent Taiwan (*du Tai*). He used this wording to keep his position deliberately vague; the only option for which Lu expressed clear support was the *status quo*. One reason for his ambiguity was the lack of public opinion data to guide the DPP in developing a clearer position. Until 1987, Taiwanese still lived under the shadow of martial law; advocating Taiwan independence was a serious offense. As late as 1991, a group of young activists were prosecuted for pro-independence activities. Thus, fear of prosecution would have invalidated the response to a poll question asking respondents for their preferences on the issue. The data that did exist, however, offered little encouragement to the independence camp. A 1990 Academia Sinica study asked whether Taiwan was a separate country from China. Only 6.1 percent of the respondents agreed with this idea; 74.4 percent disagreed.<sup>18</sup>

This popular reluctance to accept independence continued into the 1990s. For example, a 1992 survey found little support for independence, even if Beijing were willing to accept such a declaration. Just under 40 percent of respondents supported independence if Beijing had no objection, compared to over 70 percent who said they would support unification if the political and economic disparities between the two sides were diminished. Four years later, in 1996, this survey question provoked a very different response, with 63 percent agreeing with independence and 59 percent agreeing with unification, once practical problems were assumed away. What is perhaps most interesting about this result is the significant number of respondents who were willing to accept *either* outcome: 38.8 percent.<sup>19</sup> Indeed, as Table 4.1 shows, the mainstream preference throughout the 1990s was for the *status quo*.

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17. JPRS-CAR-90-089, p. 73.

18. Ch'u, *Taiwan*, 1991.

19. Nai-teh Wu, "National-Identity Conflict and Democratic Consolidation in Taiwan," *Working Papers in Taiwan Studies*, Durham, NC: American Political Science Association Conference Group on Taiwan Studies, 1996, p. 14.

**Table 4.1: Popular Support for Unification and Independence**

	12/91	6/92	6/93	12/94	7/95
Unification	27.2	29.9	20.8	22.6	20.0
Independence	3.2	6.4	—	11.7	14.0
Status Quo	42.8	41.6	43.1	43.3	46.0
No Opinion	26.3	22.2	—	23.4	20.0

SOURCE: Tse-kang Leng. *The Taiwan-China Connection: Democracy and Development Across the Taiwan Straits*. Boulder, CO: Westview, 1996. p. 50

But little of this evidence was available in 1990; and what evidence there was, Taiwan independence zealots dismissed. New Tide leaders were losing patience with the *status quo* and with the DPP's waffling. In April, New Tide leader Lin Cho-shui called for a new Constitution through which the ROC would be reconstituted as an independent state. Throughout the summer, a battle raged in the Legislative Yuan over the retirement of veteran legislators. The conflict had a strong ethnic dimension; among other incidents, the speaker of the Legislative Yuan accused his opponents of anti-Mainlander prejudice. This politicization of ethnicity helped warm up the New Tide faction's rhetoric. When the National Affairs Conference that summer failed to address the national identity issue, the New Tide faction grew hotter still. The New Tide attempted to clarify the issue with a resolution stating that "Taiwan's sovereignty does not include Mainland China and Outer Mongolia." This position was too strong for moderates in the DPP, but Hsieh Chang-t'ing offered a successful compromise. His Resolution 1007 stated, "Our country's effective sovereignty does not include Mainland China and Outer Mongolia. Our future constitutional system, domestic politics and foreign policy should be based on the scope of our effective territorial boundaries."<sup>20</sup> Hsieh's version rejected the ROC's traditional self-definition, but the use of the term "effective sovereignty" blunted its impact.

In 1991, the New Tide faction moved decisively to put the national identity issue, which it understood as a struggle between unification and independence, at center stage. The faction proposed that the DPP amend its platform and charter to include support for "founding a sovereign, independent and self-governing Republic of Taiwan."<sup>21</sup> The proposal put the party's other factions,

20. Kuo, *Painful Evolution*, p. 66.

21. Kuo, *Painful Evolution*, p. 68.

especially the large and powerful Formosa faction, in a difficult position. The change might well repel more voters than it would attract, but a New Tide walkout would weaken the DPP severely. The New Tide faction mobilized the DPP's most zealous and committed supporters, not only as voters, but also as volunteers and financial contributors. At the same time, the Formosa faction was not as strong as it had once been. It no longer held a decisive majority of seats on the party's Central Standing Committee; and discipline within the faction was weak. A number of independence activists who had spent decades in exile were permitted to return to Taiwan; and they joined with the New Tide faction to push for the independence plank.

Enshrining Taiwan independence in the party platform carried a risk, but the Formosa faction leadership decided it was worthwhile. With political reform advancing steadily under KMT leadership, the DPP needed new issues to entice the voters. If independence turned out to be as popular as the New Tide asserted, the party would gain from the move. If the new platform bombed at the ballot box, New Tide would be forced to ease off on the issue. In essence, the DPP told the independence zealots to sink or swim. In the end, the Formosa faction leaders agreed to an amended version of the pro-independence plank in exchange for the New Tide's promise to accept two more years under a Formosa faction party chair. The amended version established a referendum as the appropriate method for carrying out Taiwan Independence.

This decision had momentous consequences. Most importantly, it cemented the DPP's image as the "independence party." Given the public's conservative feelings on the issue, this decision made it much more difficult for DPP candidates to convince voters to entrust their party with political power. This image extended to mainland China — where the DPP is vilified as a nest of secessionism — and to the international community. US journalists still routinely referred to the DPP as the "pro-independence Democratic Progressive Party." The platform change also drove the DPP's remaining anti-independence leaders out of the party, including the party's highest-ranking Mainlander, Lin Cheng-chieh.

The decision to make independence the centerpiece of its 1991 National Assembly campaign was a disaster at the ballot box. The KMT leapt onto the offensive, trotting out decades of threatening statements from Beijing to prove the DPP's irresponsibility and recklessness. Even before the campaign was over, some DPP



candidates began retreating from their own party's platform, with the national party leadership following suit.<sup>22</sup> When the votes were counted, the opposition had suffered the worst setback in its history. DPP candidates won only 24 percent of the vote, the party's lowest share since the 1986 National Assembly race. A post-election poll reflected the gap between the opposition party and the voters: Asked to agree or disagree with the statement "If Taiwan could maintain peaceful relations with the Chinese communists after declaring independence, then Taiwan should become independent and establish a new country," 42 percent disagreed, while 57 percent agreed that, "If Taiwan and the mainland were comparable in their economic, social and political conditions, then the two sides should be unified."<sup>23</sup> While other factors contributed to the DPP's poor performance, the independence platform was extremely damaging.

The 1991 National Assembly election was a turning point, although this was not immediately obvious. Despite disappointing results in the 1994 elections, the DPP continued to follow a hard line on cross-Straits issues. For example, as Kuo points out, the party retreated from its pragmatic, creative outlook on cross-Straits relations, even to the point of refusing to nominate representatives to the Straits Exchange Foundation.<sup>24</sup> In the long run, however, the failure of the independence experiment damaged the New Tide faction's credibility and opened the door for the DPP to take a more moderate approach. The party did not remove the independence plank from its platform, but it no longer emphasized immediate independence in its rhetoric and policy proposals. "Finally, except for a few zealot [sic], most DPP leaders conceded after the defeat in the 1991 National Assembly election that it is impossible for the DPP to build up a winning electoral majority on the issue of national identity. On the contrary, the DPP might become [a] captive of its uncompromising position on national identity and lock itself into a permanent opposition."<sup>25</sup> The

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22. Hughes, *Taiwan*, p. 73.

23. Huo-yan Shyu (Hsu), "The National Identity and Party Voting Behavior of Taiwan's Electorate, 1991 to 1993" [(*Taiwan xuanmin de guojia rentong yu dangpai ioupiao xingwei*]. Paper presented to the first Annual Conference of the Taiwan Political Science Association, Taipei, 1994, p. 6.

24. Kuo, *Painful Evolution*, pp. 115-117.

25. Tse-min Lin, Yun-han Chu, and Melvin J. Hinich, "A Spatial Analysis of Political Competition in Taiwan," *Working Papers in Taiwan Studies*, Durham, NC: American Political Science Association Conference Group on Taiwan Studies, 1995, p. 9.

national identity issue was a hit with the party's core constituency and had a strong ideological appeal for party stalwarts, but it was not a winning issue with the general public.

If the independence plank was a blunt instrument, after the 1991 election the DPP set about crafting policy positions that better reflected the subtleties of public opinion. Taiwanese were nervous about independence (although the proportion who favored independence on the condition that good relations with the mainland could be maintained exceeded those who rejected this view by a margin of 36.6 percent to 35.8 percent in January of 1993), but they also feared the isolation imposed on Taiwan by Beijing's aggressive foreign policy. In response, the DPP began pushing hard for Taiwan to return to the United Nations. This position proved extremely popular with voters, and it split the ruling party. President Lee Teng-hui sought to balance factions within the KMT by keeping his pragmatic diplomacy moving forward in synch with progress in cross-Strait relations. The pressure for a UN bid destabilized this balance in favor of pragmatic diplomacy. As the 1992 legislative election approached, the DPP not only pressed the United Nations bid but also attacked KMT corruption and campaign finance abuses. These new issues were a success with voters; and the DPP's 36 percent vote share was consistent with the pattern of steady improvement it had enjoyed in previous legislative elections.

Since the 1991 fiasco the DPP never again has articulated its position on the national identity issue in such raw terms. In the 1993 *White Paper* on the DPP's ethnic and cultural policy, Chang Mao-kuei wrote that the party should, "Seek a nationalism with a founding spirit, and on this foundation develop a healthy, modern citizen consciousness, build a pluralistic and egalitarian society and build a new, modernized country."<sup>26</sup> While Chang's call for nation building implies some form of Taiwan independence, it is a subtle form and one that might be satisfied with political autonomy. In a November 1993 interview, Hsu Hsin-liang called the safety of Taiwan's residents the DPP's top priority. He also said the DPP would not unilaterally declare independence, but would base its decisions on objective international conditions.<sup>27</sup> At the same time, the DPP was easing away from its relentless criticism of cross-strait

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26. I-hua Chiang, "Reflections on Current Theories of Taiwan's National Identity" [*Dangqian Taiwan guojia rentong lunshu zhi fanxing*.] Paper presented at the 1998 Annual Convention of the Taiwan Political Science Association, Taipei.

27. Kuo, *Painful Evolution*, p. 72.

negotiations. As Steven Goldstein put it, "The DPP had previously maintained a negative stance regarding relations with the mainland. Increasing business relations were seen as weakening Taiwan's potential for independence, while greater 'unofficial' contact was viewed as a prelude to party-to-party talks aimed at eventual unification and thus betrayal of Taiwan. However, growing economic relations with the mainland and the concern of small Taiwanese businesses (that constituted the bulk of the DPP's support) about investment conditions there meant that the party's response to the mainland could not continue to be simply negative."<sup>28</sup>

While the DPP was groping toward a workable position on the national identity issue, the KMT's stance was taking a much more rigid stance. Its history and ideology prevented the ruling party from retreating from its pro-unification policy. Nonetheless, President Lee Teng-hui found room to maneuver within that framework to bring the KMT position more in line with the *status quo*, as the public preferred. In his 1990 inaugural address, Lee laid out conditions for a unification process that both acknowledged the need for the Taiwan people's consent and put the onus on the PRC to make its political and economic systems congenial to Taiwanese before unification could commence.<sup>29</sup> Then in 1991, the ruling party dropped its long-standing insistence that the Republic of China government was the sole legitimate authority in all of China. It acknowledged the jurisdiction of the Beijing government over the mainland area and dropped the state of war between the two sides. Increasingly, the KMT leadership interpreted "China" to mean an ethno-cultural entity not fully represented by either the ROC or the PRC government. As Mainland Affairs Council chair Huang Kun-huei said in 1991: "Our view is that Taiwan is of course a part of Chinese territory but the Chinese Communist regime is not 'China' . . . . Thus we have the concept that 'both the mainland and the Taiwan areas are parts of Chinese territory.'"<sup>30</sup> But these steps, which sought to accommodate the growing popular support preserving the *status quo*, ran into strong resistance from conservatives within the KMT.

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28. Steven M. Goldstein, "The Cross-Strait Talks of 1993 — The Rest of the Story: Domestic Politics and Taiwan's Mainland Policy," *Journal of Contemporary China* (July 1997), p. 7.

29. Hughes, *Taiwan*, p. 59.

30. Hughes, *Taiwan*, p. 76.

T.J. Cheng and Yung-ming Hsu have argued persuasively that the New Tide faction's successful campaign to make independence versus unification the central issue in ROC politics drove a wedge into the KMT that ultimately split the ruling party.<sup>31</sup> Members of the New KMT Alliance pressed the leadership to take a stronger line in favor of unification and against the DPP's open independence advocacy. But President Lee's Mainstream faction, fearing a political backlash if it were to crack down on the opposition, took a mild line. After the 1992 election, DPP legislators worked with members of the Mainstream faction to unseat the conservative premier, Hau Pei-tsun. Shortly thereafter, members of the New KMT Alliance left the ruling party to found the New Party. With these two obstacles out of the way, the Mainstream faction was free to moderate its position on the national identity question even further. The party began to advocate a "two Chinas" or "divided nation" model. By 1993, President Lee, "had been forced [by domestic pressure] towards a centrist position on the mainland issue which favors the *status quo* even as it seeks to mollify those advocating independence and those calling for unification."<sup>32</sup> By this point, the post-nationalist perspective was in ascendance; the state had been detached from the nation. For example, a 1993 statement from the Mainland Affairs Council defined "China" with reference to "multifaceted geographical, political, historical, and cultural meanings."<sup>33</sup> Lee Teng-hui's 1999 description of cross-strait relations as a "special state-to-state" relationship was consistent with this trend.

The KMT's policy shift intensified the pressure on the DPP. The ruling party's new position was much closer to that of the mainstream voter, cutting into the DPP's moderate support. The DPP's transition to a more moderate stance in defense of the *status quo* gained momentum when pro-independence extremists quit the party to form the Taiwan Independence Party (TAIP) not long after the 1996 election. The immediate cause of their departure was the DPP's decision to cooperate with the New Party in legislative maneuvers; its underlying cause was the DPP's increasing moderation on the national identity issue. As Lin, Chu and Higley put it, "...while its formal position on the question of the future of Taiwan is in stark contrast with the KMT's official stance for unification, the DPP found an increasing convergence of its

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31. Cheng and Hsu, "DPP's Factionalism."

32. Goldstein, "Cross-Strait Talks," p. 13.

33. Hughes, *Taiwan*, p.102.

mainland policy and foreign policy proposals with that of the KMT mainstream faction.”<sup>34</sup> Once the radicals had exited the DPP, the leadership was free to take the party closer to the political center where most Taiwanese voters were located.

Even before the TAIP’s departure, some DPP leaders were adopting a new approach. Both major factions responded to the party’s faltering electoral progress and weakening overseas support by shifting their rhetoric away from a nationalistic movement for formal independence and toward a position emphasizing the protection of Taiwan under its current conditions of sovereignty. In September of 1995, the DPP party chair, Shih Ming-teh, told an audience in Washington, D.C., “If the DPP comes to power, we will not need to declare Taiwan independence; nor will we do so” (*Minjindang ruguo zhizheng, bubi ye buhui xunbu Taiwanduli*).<sup>35</sup> According to Kuo, this development reflected the increasingly frosty reception independence was receiving in Washington and the DPP’s disappointing showing in 1994’s provincial and municipal elections. Shih’s new approach constituted, Kuo argues, a paradigm shift from “build an independent nation” (*duli jianguo*) to “renovate and protect Taiwan” (*gexin baoTai*). He writes, “It is unnecessary to declare Taiwan independence represented a new understanding of Taiwan’s status, arguing that Taiwan was already independent and that Taiwan need only preserve the existing international situation in order to maintain its sovereignty and independence.”<sup>36</sup> Even the staunchly pro-independence New Tide faction moderated its position in line with Shih’s approach. New Tide leader Lin Cho-shui responded to Shih’s position with his own slogan, “In sovereignty, we already are independent, but we have yet to build a nation” (*zhuquan yijing duli, jianguo xiang wei chenggong*). In theory, these rhetorical changes transformed the DPP from the “independence party” to the “party of the *status quo*.” Unfortunately, asserting that new stance has proven far easier than communicating the new position to its various audiences. Neither the DPP’s domestic audience nor its antagonists in Beijing have offered much acknowledgment of the DPP’s new position.

Events in 1996 intensified the pressure on the DPP to move toward the center. Beijing’s hamfisted efforts to intimidate

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34. Lin, et al., “Political Competition,” p. 9.

35. Kuo, *Painful Evolution*, p. 72.

36. Kuo, *Painful Evolution*, p. 73.

Taiwanese voters turned the presidential election into a referendum on Lee Teng-hui's performance, especially his mainland policy. The results were overwhelmingly in his favor. In a field of four candidates, Lee won 54 percent of the vote. His closest challenger, the DPP's P'eng Ming-min, received less than half as many. The crisis also convinced many DPP leaders to take PRC threats more seriously: "An expected consequence of the recent showdown in the Taiwan Strait was the convergence of the DPP's reading of the island's structural constraints and realm of possibilities with that of the KMT. A growing number of DPP leaders have recognized that there is no realistic chance for Taiwan pursuing *de jure* independence in the foreseeable future."<sup>37</sup>

The missile crisis affected the KMT and New Party, as well as the DPP. "To the elite, it became apparent that a push toward independence would clearly risk war with China. They also realized, on the other hand, that reunification with a bullying China had lost whatever appeal it once had among voters. At base, the crisis made it urgent for elite to seek a way out of the national identity impasse, something which had eluded the NAC [National Affairs Conference] but was crucial if Taiwan was to become a stable democracy."<sup>38</sup> In response, leaders of all three parties agreed to participate in another national summit, the National Development Conference of 1996. The resulting agreement gave opposition parties a voice in mainland policy-making, de-emphasized the UN bid, and placed Taiwan's security ahead of cross-Strait ties.

The increasing subtlety of the parties' positions on the national identity issue mirrors the general public's complex and non-dogmatic attitudes toward this question. Political scientist Liu I-chou developed a highly sensitive instrument for measuring public opinion in his 1998 paper, "The Taiwan People's National Identity - a New Survey Method." Liu's study provides empirical support for the claim that ordinary Taiwanese embrace a flexible, multi-dimensional understanding of national identity that distinguishes between sovereignty and autonomy.<sup>39</sup> Liu's survey asked what territory "China" includes (mainland only, mainland and Taiwan, Taiwan only), whom "the Chinese people" (*Zhongguoren*) includes

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37. Yun-han Chu, "The Political Economy of Taiwan's Mainland Policy," *Journal of Contemporary China* 6 (July 1997), p. 13.

38. John Higley, Tong-yi Huang, and Tse-min Lin, "Elite Settlements in Taiwan," *Journal of Democracy* 9 (April 1998), p. 156.

39. Liu, "National Identity."

(mainland people and Taiwanese people, mainland people only, Taiwanese people only), and who has the right to decide Taiwan's future.

Liu's respondents viewed each of these questions independently. A quarter of the respondents (26.7%) believed "China" included only the mainland, but less than half that number (10.7%) believed "the Chinese people" included only people on the mainland. Conversely, half (49.2%) believed that "China" included both Taiwan and the mainland, while 70.5% thought "the Chinese people" included both mainland and Taiwan residents.<sup>40</sup> But if these answers seem sympathetic to a "Chinese" national identity for Taiwan, the third question pulls in the opposite direction. Three-quarters (74.5%) of the respondents said Taiwan residents alone should have the right to decide Taiwan's future, while only 10.9% said the opinions of mainland Chinese should be considered.<sup>41</sup> In sum, when it comes to geographical identity, in which history plays an important role, Taiwanese are twice as likely to link themselves to the mainland as to assert a separate identity. And they are even more likely to view themselves as "Chinese," an ethnic and cultural category. But when it comes to politics, there is a strong consensus that Taiwan should be autonomous.

Liu's paper reinforces other research showing that Taiwanese prefer the *status quo* over either of the two "solutions" to the problem of Taiwan's status. His study compares each respondent's identity type to his or her view of unification. Overall, half of the respondents (49.9%) preferred the *status quo*. Among those Liu categorizes as having a "Greater China identity," 35.5% chose the *status quo*, compared to 45.5% for gradual unification and 7.4% for rapid unification. In the "Taiwan identity" group, 45.2% preferred the *status quo*, compared to 28.1% for gradual independence and 10.8% for rapid independence. In other words, even among respondents with a clear sense of national identity, support for the *status quo* was very strong.

Liu's findings call to mind an important insight in Alan Wachman's book on national identity and democratization in Taiwan. Wachman concluded that "the real issue for those who promote independence may not be autonomy — which they have enjoyed under KMT rule — but sovereignty, Taiwanese sovereignty

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40. Liu, "National Identity," pp. 8-9.

41. Liu, "National Identity," p. 10.

over Taiwan.”<sup>42</sup> The autonomy Taiwan has today satisfies many Taiwanese, but it is not enough for the independence zealots, who fear that without the formal sovereignty of an independent state, Taiwan may someday lose its autonomy. Unfortunately for them, sovereignty requires recognition by other nations; Taiwan cannot attain sovereignty on its own. Thus, Wachman implies, unless the PRC and other countries undergo profound changes, Taiwan independence is a doomed proposition.

This analysis makes sense with respect to advocates of formal independence. But Liu’s results demonstrate that for most Taiwanese, achieving formal sovereignty by “divorcing” China is *not* a high priority; on the contrary, they are concerned primarily about preserving Taiwan’s autonomy. For the majority, a declaration of independence is both unnecessary and undesirable, since it would likely force a confrontation. Indeed, Liu found that even among those respondents who believe Taiwan possesses a distinct geographical and cultural identity, a plurality (45%) are content with autonomy (self-rule) alone. In sum, most Taiwanese are reluctant to repudiate the island’s historical and cultural connection to Mainland China, which is what the Taiwanese nationalist justification for independence requires. At the same time, however, they are strongly committed to political self-determination.

What this suggests for politicians is that the most popular policy prescription is to do whatever is required to preserve Taiwan’s autonomy. If improved relations with Beijing will ease cross-Straits tensions and strengthen Taiwan’s autonomy, then most Taiwanese will support continued negotiations. If Beijing pushes too hard toward Taiwan’s annexation, a majority of Taiwanese could come to see independence as their best bet for preserving autonomy. This helps explain, incidentally, why support for independence rose during the 1996 missile crisis, then declined as cross-Straits tensions eased. But the majority of Taiwanese still believe in an ancestral (ethnic) or cultural tie to the Chinese mainland. This emotional tug militates against a desire for formal independence, so long as Taiwan’s *de facto* political independence is preserved. This, then, is the backdrop against which Taiwan’s two main political parties, the KMT and the DPP, have acted out the

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42. Alan Wachman, *Taiwan: National Identity and Democratization*, Armonk, NY: M.E. Sharpe, 1994, p. 78.



protracted and painful struggle to define their own policies on the national identity question.

Since 1996, the similarities in the parties' positions have become ever more apparent, with both sides emphasizing autonomy above all else. In February 1998, the DPP held a symposium to work out a consensus approach to the issue of relations with Mainland China. Over the course of the three-day gathering, the DPP's major factions laid out their positions on key cross-strait debates. The Formosa faction argued for deeper economic engagement with the People's Republic of China, arguing the logic of interdependence: the best way to avoid forcible "annexation" is to engage mainland China in business dealings and embed Taiwan in international economic institutions. Formosa faction leaders insisted that direct postal, trade and transportation links across the Taiwan Strait would allow Taiwan to serve as a bridge between China and the world, which in turn would give both Chinese and foreign firms incentives to discourage PRC aggression.

The New Tide faction followed a Realist framework, arguing that economic nationalism remains the dominant international paradigm. Interdependence will not protect Taiwan. Instead, New Tide leaders argued, Taiwan needs to protect itself through economic growth and diplomatic outreach. The New Tide supported cautious dialogue with PRC, but opposed the Formosa faction's "advance westward" slogan. All the factions agreed that Taiwan is currently independent and sovereign, but they de-emphasized this point in their final policy accord. First, practically speaking, the sovereignty issue is a dead-end because the PRC refuses to discuss it. Second, the DPP's current position is that because Taiwan already enjoys *de facto* independence, a declaration of *de jure* independence is unnecessary, and would only antagonize Beijing.

Since 1996, the DPP has retreated substantially from its dream of declaring formal independence. Kuo Cheng-liang identifies four main changes in the DPP's policies on the cross-strait relations and independence issues. First, there is now a consensus within the DPP leadership (and, I would argue, among most rank-and-file members) that the appropriate position for the party to take is the one Shih Ming-teh articulated in 1995: If we come to power, we will not need to, nor will we, declare independence. Second, the party realizes it needs to change its reputation as the party of conflict. Third, the party is committed to emphasizing stability in its electoral work, in the hope of shedding the image of a reckless

troublemaker. Finally, the DPP is seeking to alter its image, turning more toward younger voters and putting forward candidates who appeal to the new generation.<sup>43</sup> As Kuo Chen-liang writes, "In moving from 'build an independent country' to 'reform and defend Taiwan,' the DPP has become pragmatic, leaving behind the romantic revolutionism of the 'Independence Party.'"<sup>44</sup>

This is not to say that the independence advocates have completely given up. In 1997, Lin Cho-shui produced the slogan, "In sovereignty, we are already independent; in nation-building, we have not succeeded." But even Lin is revealed as a moderate when he articulates the tasks required for reaching the DPP's goals — "seeking international support, creating a national political system, consolidating the public's citizen consciousness" — hardly a revolutionary agenda.<sup>45</sup> Lin also allowed for the possibility that a referendum on Taiwan's future should include options other than the creation of a "Republic of Taiwan." The DPP is still no fan of unification or the "One China" ideal, but it is much more accepting of the two Chinas arrangement that exists, in effect, today.

The DPP's move away from its long-standing quest for formal independence for Taiwan gained momentum in early 1999. Well before his nomination as the party's presidential candidate, former Taipei mayor Chen Shui-bian announced his "new centrist" approach to cross-Straits and international relations. A key provision of Chen's strategy was to reassure audiences inside and outside Taiwan that his administration would not attempt to change the *status quo*. Then in May, the DPP formally accepted "Republic of China" as the name of the state on Taiwan. This move signaled a retreat from the party's long adherence to the idea of "Taiwan" as a sovereign entity.

Just as the DPP has relinquished its dream of declaring formal independence, the KMT has become far more restrained in its pursuit of unification. Even Straits Exchange Foundation head Koo Chen-fu, the man charged with negotiating the conditions for unification, is cautious. In a May 1998 speech in Washington, Koo said, "Precisely because the opposite sides have evolved into two totally different societies, it will require a complete process to lay the foundation for unification." In a comment that reflects Liu's findings with almost scientific accuracy, Koo added ". . . there are

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43. Kuo, *Painful Evolution*, p. 148.

44. Kuo, *Painful Evolution*, p. 103.

45. Kuo, *Painful Evolution*, p. 74.

no divisions of an ethnic or cultural nature that separate Taiwan from the mainland. Nearly five decades of divided rule, however, has helped to create two totally different polities and social systems.”<sup>46</sup>

In this context, it is easier to understand why President Lee’s remarks met with relatively little opposition in Taiwan (in fact, Chen Shui-bian and the DPP had no choice but to applaud Lee’s statements). From the perspective of Taiwanese voters, Lee’s demand that Taiwan and the PRC interact with one another as autonomous and equal states is consistent with their own views of the situation. Taiwanese did not view Lee’s state-to-state remark as “tantamount to independence,” nor did they doubt his assertion that the reformulation did not represent a radical change in policy. To most Taiwanese, independence means giving up the island’s historical and cultural relationship with China, which is not something they are eager to do. Nor, however, do they accept the assumption, so widely held in Beijing, that one cannot both acknowledge Taiwan’s Chineseness and insisting on its autonomy.

### Conclusion

Defining national identity as a preference for independence or for unification is a long-standing habit of politicians and scholars. The strong preferences most of these individuals have for one or the other induces them to see the issue in black and white terms. For its part, Beijing reinforces this tendency by insisting that any deviation from its own formula for unification constitutes a move toward independence. But ordinary Taiwanese — the people to whom Taiwan’s leaders ultimately are accountable — see national identity in shades of gray. For most Taiwanese, admitting that their island is part of China in a historical and cultural sense is not the same as accepting a “one country, two systems” formula for unification. They agree with Koo Chen-fu: the ethnic and cultural gap between Taiwan and Mainland China is not insurmountable, but the two sides have totally different political and social systems. Support for the *status quo* reflects a desire to preserve this state of affairs — to maintain Taiwan’s political autonomy without giving up its cultural ties with the Mainland. Preserving the *status quo* is not tantamount to independence, because one aspect of the *status quo* is the dream that Taiwan and the Mainland have a special relation-

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46. *Free China Journal*, June 12, 1998, p. 7.

ship that might someday, under just the right conditions, lead to some form of unification.

Taiwan's political parties learned in the early 1990s that the independence-unification dichotomy was not the right issue to move Taiwan's voters. The DPP learned this lesson when its pro-independence platform in the 1991 National Assembly election helped bring about its worst defeat in years. Tensions within the KMT over how fast and how far it could go toward unification without inviting a backlash from the voters finally split the party in 1993. Since then, both parties have moved steadily toward the center, toward the *status quo*, toward the position embraced by the majority of Taiwanese. T. J. Cheng predicted this result in 1993 when he wrote, "Consensus should and could emerge from public debates, leading to a gradual convergence of preference among an overwhelming majority of people . . . Democracy also mitigates conflict between the extreme and irreconcilable political advocacies of the DPP and proactive unificationists by providing them with a political market to periodically test their 'products.'"<sup>47</sup> Finding new products to sell in Taiwan's political market will be difficult, but the political parties may well find that the sophisticated understanding of public opinion offered by Liu I-chou and other scholars will ease their way.

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47. Tun-jen Cheng, "Democracy and Taiwan-Mainland China Ties: A Critique of Three Dominant Views," *Journal of Northeast Asian Studies* 12 (Spring 1993), p. 7.

## **Chapter 5**

### **EFFECTS OF THE 1998 ELECTIONS**

*Chih-cheng Lo\**

Notwithstanding some controversial phenomena (e.g., vote-buying, negative campaigning, ethnic frictions), the 1998 elections represented a further consolidation of democracy in Taiwan. The incumbent mayors in Kaohsiung and Taipei accepted defeat at the hands of the electorate. The KMT regained a substantial majority in the Legislative Yuan, while the New Party appears to have been marginalized in Taiwan's politics. The DPP's unexpected victory in Kaohsiung took some of the sting out of its losses elsewhere. In any case, the electoral outcomes have redrawn the political map in Taiwan and will have significant implications for the years ahead. This chapter examines the implications of the 1998 elections for political development in Taiwan. The first section describes the elections themselves; the second considers party and legislative politics; and the last evaluates several possible threats to democratic consolidation in Taiwan.

#### **Interpreting the "Three-in-One" Elections**

In brief, the results of the 1998 elections can be seen as a sweet victory for the KMT, a slight defeat for the DPP, and catastrophe for the New Party. In the mayoral races, The KMT retook Taipei, while losing Kaohsiung unexpectedly. In the less spot-lighted but very important races for the national legislature, the KMT enjoyed a substantial majority; the DPP suffered a decline in support; and the New Party appeared peripheralized.

#### **Mayoral Races in Taipei and Kaohsiung**

The Taipei race for mayor between popular DPP incumbent Chen Shui-bian and former Minister of Justice Ma Ying-jeou turned into the central contest in the elections. Although President Lee's strong endorsement of Ma did consolidate KMT support for him,

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the “strategic voting” of New Party supporters for Ma proved to be the key factor in Chen’s defeat (e.g., the New Party candidate for mayor received only 16% of the vote that went to the party’s City Council candidates). In fact, as Table 5.1 shows, Chen’s share of the vote actually increased slightly from 44% in 1994 to 46% in 1998. Ethnic issues also played an important role in deciding the outcome of the election. According to local surveys, most Mainlanders cast their votes against Chen. Despite the dramatic change from 1994 in the vote for mayor, Table 5.1 also shows that there was very little change in the partisan division of the Taipei City Council. As before, no party has more than 40% of the Council members. Consequently, the new mayor still must prove himself adept at building inter-party as well as intra-party support in order to get his bills passed.

**Table 5.1 Election Results for Taipei City**

	<b>KMT</b>	<b>DPP</b>	<b>New Party</b>	<b>Other</b>
<b>Mayor</b>				
1994	26%	44%	30%	—
1998	51%	46%	3%	—
<b>City Council</b>				
1994	39%	30%	22%	9%
1998	40%	31%	19%	10%

SOURCE: Central Election Committee.

In contrast, the DPP won an unexpected victory in Kaohsiung’s mayoral election where its percentage of the vote jumped from 39% in 1994 to 49% in 1998. The KMT incumbent mayor Wu’s controversial campaign strategies, including harsh negative attacks on DPP candidate Hsieh, contributed greatly to the KMT’s defeat. There was no significant New Party factor in the Kaohsiung race. That is, unlike in Taipei, the issues of national identity, ideological preference, or ethnicity did not play a critical part in the campaign. The demonstration that DPP mayors and magistrates could run highly acclaimed local governments (including Taipei and many of the counties near Kaohsiung) also helped gain Hsieh the additional votes he needed for the upset, while infighting among KMT factions cost Wu a significant number of votes. Hsieh’s victory, moreover, consolidates the DPP’s hold on southern Taiwan and, thus, should have great political and economic implications.

The results in the voting for the Legislative Yuan were generally seen as a victory for the KMT which consolidated a secure majority. Yet, the data in Table 5.2 indicate that popular support for both the KMT and DPP appears to be fairly stable. In contrast, the New Party had its share of the popular vote almost cut in half because of its well publicized internal bickering and controversial campaign strategies. The Taiwan Independence Party and the New Nation Alliance, both of which competed with the DPP for supporters of Taiwan independence, won only two seats in the elections. Nonetheless, the fighting among the pro-Taiwan independence candidates did contribute to the defeat of several DPP candidates (e.g., You Ying-lung in Hualien). Finally, the 5% threshold for the 49 (out of 225) national and overseas districts clearly hurt the smaller parties (whose 24% of the vote only brought them 14% of the seats), while benefitting the KMT as the largest party.

**Table 5.2 Election Results for Legislative Yuan**

	<b>KMT</b>	<b>DPP</b>	<b>New Party</b>	<b>Other</b>
<b>Vote Share</b>				
1994	46%	33%	13%	8%
1998	46%	30%	7%	17%
<b>Seat Share</b>				
1994	52%	33%	13%	2%
1998	55%	31%	5%	9%

SOURCE: Central Election Committee.

The elections also highlighted several negative aspects of democratic competition. First, the hotly contested campaign in Taipei reinvigorated ethnic tensions and antipathy. Second, a large number of irregularities, such as voting-buying occurred. Finally, the performance of the news media was far from satisfactory for several reasons: (1) they became the sources of controversy themselves with many unsubstantiated stories; (2) their focus on Taipei diverted attention from the important campaigns for the Legislative Yuan; and (3) they helped stimulate the great growth of negative campaigning. Still, the 1998 elections have, overall, helped Taiwan's democratic consolidation. Voters are more confident and not afraid of change anymore. Thus, the rotation of power, one of the defining features of a true democracy, appears to be now well accepted.

### **Party and Legislative Politics**

Despite the KMT victory in the 1998 elections, its hold over Taiwan politics is clearly under considerable challenge. Most importantly, the competition between Lien Chan and James Soong which resulted in the latter's defection from the party after Lien received the presidential nomination, threatens to undermine its plurality/majority position. In addition, President Lee's term as party chairman continues to 2001, so very probably he will continue to call the shots in the KMT in the years ahead. In addition, the central KMT leadership made many concessions to local factions to help win the elections. However, this created a window of opportunity for local factions to influence or even blackmail the KMT. Thus, the party faces several serious threats of fragmentation

The 1998 elections had both positive and negative implications for the DPP. After its defeat, the DPP went into a short period of disarray caused by the abrupt resignation of its chairman. Some members wanted to reorient the party's basic policy stands, setting off strident debates on such issues as cross-Straits relations. While the DPP was under considerable pressure to moderate its position on this issue because its support for Taiwan independence appeared to be counterproductive at the polls, such an ideological transformation would alienate many of the party's staunchest supporters. Thus, it will be hard to reach a consensus; and this could intensify factional competition within the party. Yet, the party's fortunes are far from being bleak. Chen Shui-bian continues to be the DPP's superstar; and his chances to win the presidential election in 2000 are beginning to look fairly promising, given the splits within the KMT.

The minor parties (New Party, Taiwan Independence Party, etc.) appear to have been marginalized in Taiwan's electoral competition. Nonetheless, the current electoral system insures that small parties can still win a few seats; and the unsettled politics within the KMT and DPP provide opportunities for the minor parties to upgrade their status if they can successfully appeal to disgruntled factions in a major party. Thus, while Taiwan seems to be moving toward two-party competition, there is some space for the minor parties.

Perhaps the most important aspect of the Legislative Yuan elections was that the KMT was able to regain a secure majority which, in theory, should lead to more stable legislative politics and a more cooperative relationship between the Legislative and Executive Yuans. Still, the enlargement of Taiwan's national legislature



and the many new members that accompanied it have introduced new factors which could create a more dynamic and less stable legislative politics. The current single Non-Transferable Vote (SNTV) electoral system forces members from the same party to compete against each other and, consequently, creates intra-party tensions and factional rivalries. In particular, the KMT appears to have made many compromises with local factions and big businesses, which will use their legislative representation to pursue fairly narrow interests.

The most serious potential for legislative instability, though, stems from the conflicts set off by the downsizing of the provincial government which will inevitably create tensions between the central and local governments as they scramble to divide the resources that the provincial government had controlled. This conflict is inherent in the indeterminate laws and regulations governing the ownership and distribution of these assets and organizations. Such conflict is also exacerbated by the partisan division between the KMT-controlled central government and many DPP-controlled local governments (i.e., the DPP's strategy of "peripheral encirclement"). This conflict is sure to be transmitted to the Legislative Yuan because of the remarkable success of members of the Provincial Assembly, whose positions were abolished, to win election to the Legislative Yuan. As Table 5.3 indicates, over three-quarters of the 56 former Provincial Assemblymen and Assemblywomen who ran for seats in the Legislative Yuan were elected; and the 43 successful candidates now constitute a fifth of the national parliament. The KMT was especially successful here as it elected 29 such members to the Legislative Yuan. Many of them will obviously not have much loyalty to the central KMT and should be far more sympathetic to former provincial governor James Soong who has defected from the KMT to run a maverick campaign for president. Thus, legislative activities could well be quite contentious in the coming years; and party affiliation may not assume an overriding importance in structuring parliamentary politics.

**Table 5.3 Former Provincial Assembly Members in the 1998 Legislative Yuan Elections**

	<b>Candidates</b>	<b>Winners</b>	<b>Percent Elected</b>
<b>KMT</b>	33	29	88%
<b>DPP</b>	14	9	64%
<b>New Party</b>	1	0	0%
<b>Others</b>	7	4	57%

SOURCE: Compiled from various newspapers.

### **Threats to Democratic Consolidation**

Scholars have identified numerous factors that contribute to or precipitate the breakdown of democracy: economic crisis, leaders' foibles, political polarization, ethnic conflict, international pressures, war, legitimacy crises, and so on. Although the successful completion of the 1998 elections indicated one more important step toward democracy, the new democracy in Taiwan is not yet consolidated. There are still factors, which could reverse the trend of democratization in Taiwan. For example, it is widely argued that democratic societies may face danger from a mutually reinforcing downward spiral of economic and political collapse. Effective economic performance is crucial for consolidating a new democratic regime. Although the Asian financial crisis was relatively mild in Taiwan, there are some signs of economic difficulties on the island which could be exacerbated by political gridlock in national politics or excessive "pork-barrel politics" in the Legislative Yuan.

Several specific issues, furthermore, could create problems for Taiwan's democratization. First, the inter-linked national identity and cross-Strait relations issues could provide a severe challenge. One of the most salient issues in Taiwan's political development has been the impact of ethnicity on democratization. The people on Taiwan have arrived at an overt consensus about national identity. As a matter of fact, the process of democratization has helped to bring about this consensus. Under the surface, however, ethnic tensions have not disappeared, as demonstrated by the mayoral election in Taipei. The growing threat from Beijing will undoubtedly have an impact on the upcoming presidential election and could well fan the flames of ethnic distrust. A second challenge comes from the growing public concern over "money politics" or even "mafia politics." With the ascendance of elected politicians both in the KMT power structure and in the national policy-making process, the corruption which had existed for a long time in local poli-

tics has been transmitted into the national arena. Such corruption involves faction-orchestrated election financing and campaigning, institutionalized vote-buying mechanisms, and the relentless pursuit of pork barrel projects, economic prerogatives, and outright bribes for replenishing campaign funds. Consequently, Taiwan's political development has been marred by growing political-financial scandals and by election-related violence.

Finally, the 1998 elections raised some questions about civil-military relations. One of the first tasks for a new democracy is to bring the military establishment under civilian control. The military's withdrawal from active participation and intervention in politics is crucial to democratic consolidation. The 1998 elections, however, witnessed the military's active participation in Taiwan's electoral politics. The military establishment publicly supported and endorsed candidates with strong military and ideological connections (mostly KMT nominees). More importantly, most of the military-backed candidates were elected. The military has already passed the initial test of supporting the new democratic system by accepting the KMT's new Taiwanese leadership. Still, a major challenge to democratic consolidation in the ROC lies in whether an ideologically distinct opposition party, such as the DPP or even the New Party, would be accepted by the military. The military's active participation in electoral politics, thus, definitely worries many voters.

### **Outlook**

The 1998 elections have introduced a mixed picture of both certainty and uncertainty into Taiwan's future political development. Although some possible obstructions to Taiwan's democratic consolidation can be discerned, the overall trend appears promising. The competitive two-party system is generally taking root on the island. Meanwhile, the electoral outcomes have complicated center-local, party-party, and cross-Strait interactions. More importantly, the end of the "three-in-one" elections also represents the beginning of the presidential race whose outcome will have a vital impact on the future of Taiwan and on peace and stability in the Taiwan Strait.



## Chapter 6

### **A NEW CHALLENGE FOR TAIWAN'S DEMOCRACY: THE AMERICAN EXPERIENCE WITH ADDING "FAIR PRESS" TO "FREE PRESS"**

*Joe S. Foote\**

An important characteristic of democracy is the dynamism created by an independent mass media. A robust press will seek its own level of freedom *vis-a-vis* the government. Inherent is an ongoing conflict between those who govern and those who report on them. As democracies mature, the quality and intensity of these relationships change. Taiwan and the United States are in different phases of political and mass media development. The current situation in Taiwan is more dynamic, with both government and the media building initial relationships and testing boundaries. The United States, meanwhile, is in a mature "mid-life crisis" period where the media are trying to re-establish their credibility. This chapter describes the transition that is occurring in the United States from a "defense of press liberty" mode to a "social responsibility" mode, as a suggestion of new issues that should confront Taiwan's vigorously "free press" in the near future.

Anyone who has lived in the United States understands how much journalists cherish the freedom of the press provided by the U.S. Constitution. Journalists take great pride that their birthright can be found in the very first amendment to the Constitution that states so clearly, "Congress shall make no law . . . abridging the freedom of speech or of the press." For journalists, this is the ultimate right, the sweetest liberty, and a jealously guarded prize. Schools of journalism have been socializing their students for years to the inherent value of a free press and their responsibility to defend it. During the 1960s, reporters, editors, and publishers were particularly keen on protecting their First Amendment rights. Editors boldly declared their intention to go to jail rather than reveal sources and to be forever vigilant against those who might trample

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on the rights guaranteed by the Constitution. A badge of honor for journalists was to be seen as the defender of the First Amendment against the evil forces of censorship, government intrusion, or lack of access. Even political leaders appeared to agree. State and local governments passed open meeting statutes and other “sunshine” laws to accommodate the news media; and the federal government passed a powerful Freedom of Information Act to provide access to hundreds of thousands of previously unavailable government documents.

### **The Growing Challenge to American Journalism**

The news media also became increasingly aggressive in the way that they gather news. Adopting a self-serving doctrine called the “people’s right to know,” the news media used the lever of being the citizen’s watchdog to gain access on their own terms. It was, after all, not the media who were relentlessly demanding information, but it was (at least in theory) the people themselves who wanted to know. Out of this contentious period came the infamous “ambush interviews” where journalists charged into restaurants assailing sources, thrust microphones into public officials’ faces, and stalked newsmakers at home and at work. Those worshipping at the shrine of the First Amendment were getting bolder and more aggressive in their quest to fulfill “the people’s right to know.”

In 1969, Vice President Spiro Agnew hit a responsive chord with many Americans when he attacked the news media as elitist, self-serving, liberal journalists who had no regard for the rights and attitudes of the average American and who would do anything for a story. Public reaction to Agnew’s attack was strong and immediate, as a latent resentment of the news media quickly surfaced. People began to question the media’s accuracy, objectivity, and pursuit of the public interest. They felt frustrated that a few people who had no accountability to the public at large were setting the media agenda. They clearly disliked the media’s overly aggressive tactics and its lack of regard for individual privacy. In short, through the news industry’s bold defense of the First Amendment, it had inadvertently alienated itself from a significant part of its public constituency. Increasingly during the 1980s and 1990s, the public has blamed the media for most national crises. Moreover, the falling newspaper circulation and ratings for TV journalism have raised concerns that the public is actually turning away from the media’s products. More often than not, Americans today get their primary information from television, a medium that not only deals with

news coverage, but with celebrity and entertainment as well. The high profile of TV correspondents and anchors, if anything, seemingly increased the intensity of the public backlash.

At first, the news media were hurt and stunned by this public outcry. For years, they had been the fairly invisible protectors of a sacred public trust. Now, representatives of the press found that they were being demonized. The first reaction of journalists was to be highly defensive about their craft, using the First Amendment as a shield against a variety of alleged sins. During the latter 1990s, however, the media came to grips with their new identity and began a sweeping introspection aimed at improving the tenor and responsiveness of their news coverage and their standing in the public eye. Among the leaders to make the media more responsive has been the Freedom Foundation, which was established by the Gannett newspaper chain and which expanded to support the ideas of a free press and free expression. In the words of the Forum's founder Al Neuharth:

Where the press saw blanket coverage, the public saw excess. Where the press saw thoroughness, the public saw harassment and disregard. Where the press saw responsibility, the public saw a perverse fixation and ulterior motives like ratings and circulation. We in the media have to remind ourselves that the First Amendment is not just for our protection, but for theirs. At the same time, we must realize that to remain a free press, we must have a fair press. The First Amendment guarantees the former. The public demands the latter. . . . The era of self-satisfied, smug, self-centered journalism is over.<sup>1</sup>

Given the self-righteous and highly defensive stance of journalists during most of the 20<sup>th</sup> century, Neuharth's declaration represents a sea change in attitude.

### Central Issues

In this new era of constructive criticism, journalism reviews are filled with articles taking journalists to task. Likewise, academics have become more visible in media criticism as well. Briefly, I want to discuss three common sins that appear frequently on America's journalistic landscape: (1) the dangers of prognostication; (2) the

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1. Allen H. Neuharth, "The First Amendment and the Free Press: Fairness, Freedom, and Accuracy," *Vital Speeches*, June 15, 1998, p. 530.

trivialization of news; and (3) the hazardous by-products of an overly competitive media environment.

### **1. The Media as Prognosticators**

Armed with public opinion polls of their own and the irresistible allure of punditry, the American media have become all too comfortable with the role of prognosticator. There is a compulsion to tell readers and viewers what will happen next even when the media know no more than their consumers. American journalism devotes an increasing amount of time either to relating the state of public opinion or to airing the views of "experts" on future events. Nowhere is this trend more apparent than in election campaigns. In this competitive environment, journalists have a relentless compulsion to pick winners using a horse race mentality, to winnow fields of candidates to a small set of contenders, and to sublimate issues in favor of predictions and assessments. Viewers and readers are not allowed to see a campaign unfold naturally but are forced to watch a media hothouse where the buds of victory are forced to bloom far before their time. This is particularly true in presidential primaries where the media try to pick decisive winners long before most Americans have had an opportunity to participate. The 1992 presidential election was a watershed for the American media because ordinary citizens rejected the role of the media as prognosticators and demanded more substantive coverage. A presidential debate where citizens rather than the media asked the questions turned out to be one of the most popular and relevant events in the campaign. Coverage of campaigns and other national stories would be far stronger and more relevant if journalists resisted the temptation to hype their coverage and had the self-discipline to take the campaign to the people in a more natural, unhurried way.

### **2. Accent on the Trivial**

One area where the news media have been exceptionally responsive to their readers and viewers is in the softer side of the news. Sensing that personality, entertainment, and scandal have a sizzling appeal, even the mainstream media have broadened their definition of the news, "dumbed down" their coverage to reach more people, and blurred the distinction between news and entertainment. In many ways, this is a positive development because today's news is more relevant to people's daily lives and more palatable than endless government talking heads. Yet, it is the scope of this coverage which is depressing. The balance has tipped



toward "news light." Editors and news directors have lost their drive to give the American people anything difficult to digest. "Give them what they want" has overtaken "give them what they need." Plus, stories now have to have an edge on them to be successful. Black and white dominates, while gray gets pushed aside. A story with too many complex or ambiguous angles winds up on the cutting room floor.

### **3. The Heat of Competition**

American news executives have traditionally adhered to a high ethical standard. Yet, many sins of journalism against news sources, readers, and viewers are committed in the heat of battle with media competitors. In this overheated environment, getting the story first is not only the most important thing, but becomes the only thing. Editors will rush into print before checking the facts carefully, invade sources' privacy, overplay an angle to a story, and rely on over-used sources. As Frank Stanton, former President of CBS, once told me in an interview, "I wouldn't want to be second and I damn sure wouldn't want to be third." The imperative of competition is so ingrained in the American journalist's psyche that aberrant behavior is often overlooked. Only if social responsibility is indelibly ingrained at the core of a journalist's being will he/she be able to rise to the level required by our ethical and moral codes. Competition can serve an important role, pressing journalists to higher professional accomplishment and deeper penetration of a story. Yet, competition can be dysfunctional when the ends don't justify the means and competition for competition's sake reigns. In such cases, the media do a great disservice to a democratic society when they fight with each other to achieve minor victories.

### **Conclusion**

The mass media in the United States are currently in the middle of a phase where fairness and responsibility are being given attention almost equal to the standing of the First Amendment. Never before in the 20<sup>th</sup> century have readers and viewers had so much influence over the content of the news. Rather than holding the First Amendment as a shield to deflect public criticism, the media are finally letting down their guard to get closer to their customers. Stung by public criticism and self-doubt, American journalists are trying to find new ways to be responsive, responsible, and fair, while simultaneously protecting their First Amendment rights. At the other extreme, some of the news media are pandering to their

readers and viewers, delivering a lowest-common-denominator product. This results in a trivialization of the news and a gravitation toward entertainment and away from journalistic values.

All of this is occurring at a time when the public, especially the young, is turning away from the traditional media as their principal source of information. Going hand-in-hand with the media's new-found introspection has been the journalistic community's insecurity over consumer preferences, especially in view of the growing competition from the internet. Regardless of the mode of transmission, the question of fairness versus freedom will undoubtedly continue. In the mainstream media, a certain degree of social responsibility and standards is conveyed by the brand name. The reputations of the *New York Times* and CNN, for example, speak for themselves. In the new media, quality varies widely; and it is more difficult to ascertain credibility.

While we cannot be sure of the face of journalism too far into the next century, we can be relatively certain that the debate over the fairness of press coverage and the freedom of the media will continue. The current phase of introspection and contrition can only last so long. Journalists will no doubt reassert their First Amendment rights, yet the media cannot veer too far in either the "free" or "fair" press directions. There will always be a trade-off between freedom and responsibility. As former *New York Times* journalist Tom Wicker has written, "If the press is truly free, it follows that it will not always be 'responsible,' and anything that tends to enforce its 'responsibility' necessarily makes it less than free." If this is true, the free press/fair press debate can go in one direction only so far before the pendulum swings back again. This ebb and flow of freedom and responsibility form the hallmark of a free press, the constant pressure point for the media both internally and externally. The difficulties described here, though, could be termed what Californians would call a "high class" problem. Only with news media that are secure in their quest to achieve a strong and vital press freedom sustained over many years do the issues of fairness, respect for privacy, and social responsibility appear on the radar screen. Yet, in every democracy, corrective action is eventually needed to keep the media from becoming as tyrannical as the governments they cover.

## Chapter 7

### ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE IN TAIWAN

*Chu-Chia Lin\**

The economic development of Taiwan has often been regarded as a typical model for developing countries. Three important features can be identified in Taiwan's history of economic development. They are a persistent high growth rate, a stable inflation rate, and an even income distribution. For example, from 1952 to 1997, the average annual real GNP growth rate was 8.3%, and the average inflation rate was 5.5 %. With advances in economic development, Taiwan has also undergone great changes in terms of both GDP use and industrial structure. These can be evidenced by the fluctuation in household consumption as a percentage of GDP dropping from 71.3% in 1955 to 51.6% in 1980, and rising to 60.4% again in 1997, as well as by the increase in the GDP share of service sector from 47.7% in 1955 to 62.3% in 1997.

Economic development and structural change often come hand in hand. A high economic growth rate will have a significant impact on the structure of the economy. For instance, as an economy matures the need for more service activities, such as finance and commerce, will also grow. Therefore, the service industry will expand faster than other industries. On the other hand, structural changes also have a strong impact on economic development. For example, the growth rate of service industries is usually lower than that of manufacturing industries; and, thus, an economy with a larger service sector will experience a slowdown in economic growth. This paper explores the interaction between economic development and structural change in Taiwan. The first section describes the central features of economic development of Taiwan, in particular, the high growth rate, low inflation rate, and fairly egalitarian income distribution. In Section 2, the structural change of Taiwan and its effect on economic development are analyzed. Several important policy

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changes which have significantly influenced the structural change will also be discussed.

### **The Economic Development of Taiwan**

Taiwan's successful economic development has been marked by a high economic growth rate, price stability, and one of the lowest levels of income inequality in the world. In this section, we will describe these three features in detail.

#### **1. High Economic Growth Rate**

The first feature of economic development in Taiwan is its persistently high growth rate. Table 7.1 shows that the real GNP per capita of Taiwan in 1951 was NT\$21,432 at 1991 prices, while it increased to NT\$324,656 in 1997. Table 1 also shows that the average annual real GNP growth rate was 8.3% between 1951 and 1997, one of the highest growth rates in the world. Moreover, it is very unusual for an economy to keep a high growth rate for more than forty years. Though Taiwan's economy has been growing at high speed, the growth rates vary during different periods. In the first ten years of development, from 1951 to 1960, the average annual growth rate was only 6.9%. Then the economy started taking off in the 1960s. The average growth rate was 9.8% from 1961 to 1980, which was the golden era for Taiwan's economic development. Despite facing a drastic structural change in the 1980s, Taiwan still managed to keep a high growth rate at 8.0% per annum. In the 1990s, Taiwan's economy has become mature and stable maintaining a reasonable growth rate of 6.5% from 1991 to 1997. As seen in the history of economic development, a nation's economic growth rate will slow down once its economy has reached a mature stage in large part because the service sector usually becomes dominant as an economy matures.<sup>1</sup> The pattern of economic development of Taiwan is no exception. One of the main reasons for the lower growth rate in 1990 is its fast growing service industry.

#### **2. Low Inflation Rate**

The second feature of Taiwan's economy is its stable inflation rate. Table 7.1 shows that the average annual inflation rate has been 5.5% for the past 46 years. The worst ten years was between 1971 and 1980 when the inflation rate was 10.0% because of the two

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1. W.W. Rostow, *The Stages of Economic Growth*, Cambridge: Cambridge University Press, 1962.

**Table 7.1: Economic Growth**

Year	Real GNP per capita (NT\$)(a)	Nominal GNP per capita (US\$)	GNP Growth Rate (%)	Ave GNP Growth Rate (%) (b)	GDP Deflator (%)	Ave GDP Deflator (%) (b)
1951	21,432	196	12.0		11.5(c)	
1955	25,003	203	8.1		12.7	
1960	29,387	154	6.3	6.9	19.1	7.5
1965	39,844	217	11.1		21.8	
1970	56,468	389	11.4	9.7	27.5	3.7
1975	78,466	964	4.9		46.7	
1980	118,162	2,344	7.3	9.9	71.4	10.0
1985	153,448	3,297	5.0		85.6	
1986	170,790	3,993	11.6		88.5	
1987	189,699	5,298	12.7		89.0	
1988	203,187	6,379	7.8		89.9	
1989	217,005	7,626	8.2		92.8	
1990	226,485	8,111	5.4	8.0	96.3	4.0
1991	240,909	8,982	7.6		100.0	
1992	253,437	10,470	6.8		103.9	
1993	266,206	10,852	6.3		107.6	
1994	279,871	11,579	6.5		109.6	
1995	293,756	12,396	6.0		111.7	
1996	307,160	12,838	5.7		114.7	
1997	324,656	13,233	6.8	6.5	116.9	1.7

SOURCES: DGBAS, *National Income of Taiwan*, R.O.C, 1997.

CEPD, *Taiwan Statistical Data Book*, 1998.

(a) 1991=100, before adjustment of terms of trade.

(b) The average rate for 10 years.

(c) 1953.

oil crises in 1973 and 1979. It is interesting to note that even when Taiwan faced serious structural changes in the late 1980s, the inflation rate of Taiwan was still very low. This long-run stable economy has brought lots of benefits for Taiwan. For example, the stable economy has attracted a great amount of domestic and foreign investment which has been indispensable for Taiwan's economic growth. Furthermore, a low inflation rate has also produced a strong incentive to save for households in Taiwan since the purchasing power of their money lasts longer. Finally, the low inflation rate

has also provided a conducive environment for Taiwan to have a good income distribution. A high inflation rate could shift real resources from savers to lenders. Since most savers are middle and low income people while the lenders are usually rich, a high inflation rate will widen the gap between the rich and the poor.

### 3. Even Income Distribution

The third feature of economic development of Taiwan is its fairly even income distribution. Table 7.2 shows that the Gini coefficient in 1964 was 0.321, then it dropped to its lowest at 0.277 in 1980. After that, the Gini coefficient gradually went up to 0.320 in 1997. There are several interesting points to note in the pattern of income distribution. First, the absolute level of the Gini coefficient is quite low compared with that in other countries. For example, the Gini coefficient of the U.S. was 0.3660 in 1996, while that of UK was 0.3736. Second, the Gini coefficient shows a U-shaped pattern, contradicting Kuznets' hypothesis that as an economy develops, the Gini coefficient will first go up and then drop again, creating an inverted U-shaped. The Oshima index displays a similar pattern. The Oshima index is the ratio of the total income of the top 20% of households to that of the lowest 20% of households. Table 7.2

**Table 7.2: Income Distribution**

Year	Gini Coefficient	Oshima Index(a)	Year	Gini Coefficient	Oshima Index(a)
1964	0.321	5.33	1984	0.287	4.40
1966	0.323	5.25	1985	0.290	4.50
1968	0.326	5.28	1986	0.296	4.60
1970	0.294	4.58	1987	0.299	4.69
1972	0.291	4.49	1988	0.303	4.85
1974	0.287	4.37	1989	0.303	4.94
1976	0.280	4.18	1990	0.312	5.18
1977	0.284	4.21	1991	0.308	4.97
1978	0.287	4.18	1992	0.312	5.24
1979	0.285	4.34	1993	0.316	5.42
1980	0.277	4.17	1994	0.318	5.38
1981	0.281	4.21	1995	0.317	5.34
1982	0.283	4.29	1996	0.317	5.38
1983	0.287	4.36	1997	0.320	5.41

SOURCE: DGBAS, *The Household Survey on Income and Expenditure*, 1997.

(a) The Oshima Index is the ratio of the total income of the richest 20% of households to the total income of the poorest 20% of households.

shows that the lowest Oshima index was 4.27 in 1980 when the Gini coefficient was also at its lowest. This confirms again that the income distribution in Taiwan was better before 1980, and then it deteriorated.

There is much literature discussing the changes in income distribution of Taiwan. For example, Kuo argued that even when the distribution between the agricultural sector and non-agricultural sector worsened, the income distribution within the non-agricultural sector improved from 1950 to 1970 due to rising wages.<sup>2</sup> Conversely, personal income distribution became more unequal with the increase in education levels on the island because of the salary premiums going to the more educated.<sup>3</sup> In addition, both Chu and Chu and Jiang found that the worsening of household income distribution in Taiwan after 1980 was due to the change in household composition.<sup>4</sup> In particular, most of the high income families were made up of well-educated couples as double income earners, while most low income families had only one income earner with a poor education.

The financial gyrations that accompanied Taiwan's growing prosperity provided another factor promoting the increase in income inequality. Table 7.2 shows that the Gini coefficient rose from 0.299 in 1987 to 0.312 in 1990, too sharp a jump to be explained by changing family composition. In contrast, the financial sector in Taiwan was quite turbulent between 1988 and 1990. First, the Tai index of the Taiwan stock market rose from 2,000 in early 1987 to 12,000 in the middle of 1990, then it dropped back to 3,000 again in late 1990. The fluctuations in the stock market provided an excellent opportunity for speculators to manipulate the market and to make tremendous amounts of money. Meanwhile, most households were losers. At the same time, the housing market was soar-

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2. S. Kuo, "The Retrospect and Prospect of Income Distribution of Taiwan." Paper presented at the Conference of the Direction and Strategy of Economic Development of Taiwan, Academic Sinica, Taipei, 1976.

3. S.H. Chiang and C.T. Hu, "A Study on the Characteristics of Personal Wage Imbalance." Paper presented at the Conference of Income Distribution of Taiwan, Academic Sinica, Taipei, 1978; Y.C. Liu, "A Multifactor Analysis of Household Income Distribution of Taiwan," *Journal of Chung-Sun Institute of Social Science and Humanity* 12, Taipei: Academic Sinica, 1983.

4. C.Y.C. Chu and L. Jiang, "Demographic Transition, Family Structure and Income Inequality: Theory and Empirical Evidence of Taiwan," Taipei: Institute of Economics, Academic Sinica, 1994; Y.P. Chu, "Household Size and Income Distribution: An Empirical Study on Taiwan," pp. 287-307 in *Proceedings of the Annual Conference of Chinese Economic Association*, Taipei: Chinese Economic Association, 1991.

ing, too. For example, the average price of housing in Taipei went up by 200% in 1989, thereby benefitting the more affluent.

### **Structural Change**

The fast economic growth of Taiwan has not only brought Taiwanese higher incomes, but has also brought about a significant structural change in the economy which, in turn, has also had a strong impact on the country's economic development. In this section, we discuss several important structural changes including industrial structure, the composition of GDP, and growing economic interdependence with China.

#### **1. Structural Change in Industry**

Rapid growth was accompanied by a drastic change in industrial structure. Table 7.3 shows that the agricultural sector had a large share of GDP (32.3%) in 1951. Then the share began declining and dropped to 2.7% in 1997. On the other hand, the share of industry increased sharply from 21.3% in 1951 to 47.1% in 1986. After 1986, the share of industry began to shrink gradually. Manufacturing followed a similar trend. In 1951, the share of the manufacturing sector was 14.8%; and then it reached the peak at 39.4% in 1986, before falling back to 27.7% in 1997. The sharp decrease in the GDP share of agriculture and the inverted U-shaped pattern of change in the shares of industry and manufacturing are both typical in economic development. Initially, a large agricultural sector provides land and labor for the emerging secondary industries. As industry attracts more agricultural labor, the agricultural sector starts shrinking. Gradually, when the economy reaches maturity and people begin to enjoy mass consumption, the service sector will start to grow.

The change in the industrial structure of Taiwan follows this pattern exactly. In contrast, Table 7.3 shows that the service sector in Taiwan behaved somewhat differently. It kept a constant share of GDP of around 47% from 1951 to 1986. After 1987, the share of service sector started to grow rapidly, reaching 62.3% in 1997. As can be seen in Table 7.3, finance accounted for two-thirds of this jump. The GDP share of financial sector was only 10.4% in 1951 and only rose a little to 13.6% in 1987. After 1987, however, the financial sector skyrocketed, jumping to 23% of GDP in 1997. The key factors behind this were the huge expansion of the stock market noted above and the liberalization of Taiwan's financial markets. Encouraged by the booming stock market, the government



**Table 7.3: Economic Structure by Industries\***

Year	Agriculture	Industry (Manufacturing)	Services (Financial)
1951	32.3	21.3 (14.8)	46.9 (10.4)
1955	29.1	23.2 (15.6)	47.7 (9.5)
1960	28.5	26.9 (19.1)	44.6 (9.0)
1965	23.6	30.2 (22.3)	46.2 (9.2)
1970	15.5	36.8 (29.2)	47.7 (9.8)
1975	12.7	39.9 (30.9)	47.4 (10.5)
1980	7.7	45.8 (36.0)	46.6 (12.7)
1985	5.8	46.3 (37.6)	47.9 (13.8)
1986	5.6	47.1 (39.4)	47.3 (13.0)
1987	5.3	46.7 (38.9)	48.0 (13.6)
1988	5.0	44.8 (37.2)	50.1 (15.3)
1989	4.9	42.3 (34.6)	52.8 (17.6)
1990	4.2	41.2 (33.3)	54.6 (18.2)
1991	3.8	41.1 (33.3)	55.1 (17.9)
1992	3.6	39.9 (31.7)	56.5 (18.7)
1993	3.7	39.0 (30.5)	57.4 (19.3)
1994	3.6	37.3 (29.0)	59.2 (20.9)
1995	3.6	36.3 (28.1)	60.2 (21.1)
1996	3.3	35.5 (27.9)	61.2 (21.6)
1997	2.7	34.9 (27.7)	62.3 (23.0)

SOURCES: See Table 7.1.

\*In percentage of GDP.

speeded up its long-term policy of financial liberalization. One of the main tasks was to introduce private commercial banks. The law allowing private commercial banks to be established was passed in 1991, and thirteen private banks have started their business since 1992. In addition to private banks, many other kinds of financial institutions including stock exchange companies, insurance companies, and investment companies have been established in Taiwan. It is obvious that the financial market is reaching its golden era; and the share of financial sector will almost certainly keep growing in the near future.

## 2. GDP Composition

Table 7.4 shows the components of GDP structure. In 1951, when Taiwan's economy started to develop, private consumption had the largest share of GDP (68.5%). At that time, most household expenditures went for food. As income grew, the relative expenditure on food dropped, and so correspondingly did total

**Table 7.4 : GDP Composition\***

Year	Consumption	Investment	Government Expenditures	Exports	Imports
1951	68.5	16.6	17.3	10.5	15.4
1955	71.3	15.3	17.2	7.6	11.6
1960	68.1	20.2	19.3	11.5	19.0
1965	63.6	22.7	16.9	19.4	22.4
1970	56.4	25.6	18.3	30.4	30.4
1975	57.5	30.6	15.9	39.9	43.2
1980	51.6	33.9	15.9	52.6	53.8
1985	50.2	18.7	15.9	53.3	39.8
1986	46.7	17.1	14.5	56.7	37.4
1987	46.7	20.1	14.1	56.2	39.2
1988	49.3	23.1	14.7	53.0	42.5
1989	53.3	23.4	15.6	49.5	41.7
1990	54.8	23.1	17.2	46.8	41.8
1991	54.8	23.3	17.4	47.4	42.9
1992	56.0	24.9	17.0	43.4	41.3
1993	57.0	25.2	16.0	44.2	42.4
1994	59.2	23.9	15.1	44.1	42.2
1995	59.8	23.7	14.6	48.8	46.8
1996	60.4	21.2	14.5	48.6	44.7
1997	60.4	22.1	14.3	49.1	46.5

SOURCES: See Table 7.1.

\*In percentage of GDP.

private consumption. In 1986, the GDP share of private consumption reached its lowest point at 46.7%. After 1987, the share of consumption started to grow again. But by this time, household expenditures were mainly for education, health, and travel — similar to the pattern in the developed countries. The GDP share for private consumption reached 60.4% again in 1997 and is still growing. The GDP share for investment experienced significant fluctuations as well because investment was sensitive to business cycles. After 1988, however, investment has been quite stable at about 23% of GDP.

The foreign sector, in contrast, has been subject to impressive secular trends. Taiwan has long been famous for its export expansion policy. Exports are regarded as the engine of economic growth for several reasons. First, foreign markets have made it possible for Taiwan to enjoy the benefit of large scale production. Second, Taiwan cannot afford to buy expensive raw materials, such as crude oil, or machinery without foreign exchange. Finally, when a Taiwanese firm wants to compete in the world market, it has to upgrade its

production efficiency either by improving the quality or reducing the price of its products.

The success in expanding exports also necessitates imports to be increased. Therefore, it can be seen from Table 7.4 that the export share of GDP increased sharply from 10.5% in 1951 to 56.7% in 1986, while the import share also jumped from 11.6% in 1955 to 53.8% in 1980. During the 1990s, both export and import shares were quite stable at around 45%. It is also worth noting that Taiwan enjoyed a huge trade surplus of about \$13 billion per year between 1985 and 1988. At the same time, the fast accumulation of foreign reserve has led to significant structural changes in the financial sector of Taiwan including the appreciation of the NT dollar, a high stock market index, and the emergence of private banks.

Table 7.4 shows that the export share of GDP also reached its peak in 1987. It is clear, hence, that there was a significant structural change around 1987. In fact, two important events happened between 1986 and 1987 which brought about this change. The first was that NT dollar appreciated 28.4% between 1986 to 1987, owing to the accumulation of a huge foreign reserve during the mid-1980s. Second, Taiwan businessmen began to invest overseas at a high rate, leading to the migration of a significant portion of the island's export industries. Accompanying this decline in Taiwan's manufacturing, the nation's export structure has also changed drastically. Table 7.5 shows that the export share of high labor-intensive goods decreased from 47.2% in 1982 to 34.9% in 1997. Correspondingly, the export share of low capital-intensive goods dropped from 27.6% to 9.1%; and the export share of low technology-intensive goods dropped from 49.1% to 19.2%. Clearly, Taiwan was upgrading its exports considerably by moving toward low labor-intensive, high capital-intensive, and high technology-intensive goods, spurred by the major appreciation of the NT dollar.

### **3. The China Factor**

As suggested above, Taiwan's rapidly growing economic interactions with the Chinese Mainland have had a major impact upon its evolving economic structure. Cross-strait economic relations began in 1979 when Mainland China began its open door policy. At that time, the political situation was still so sensitive that the bilateral trade made up only a small amount of Taiwan's total trade. As shown in Table 7.6, the total trade across the Strait only increased gradually. In November 1987, martial law was lifted in Taiwan, allowing its citizens to visit Mainland China. Since then, lots of

**Table 7.5: Export Structure\***

Year	Labor Intensity			Capital Intensity			Technology Intensity		
	High	Middle	Low	High	Middle	Low	High	Middle	Low
1982	47.2	30.8	21.9	26.9	45.4	27.6	18.3	32.6	49.1
1983	46.6	34.3	19.0	24.5	46.6	28.9	18.2	33.4	48.4
1984	47.0	35.4	17.5	23.0	48.7	28.3	18.3	34.0	47.7
1985	45.9	35.6	18.5	24.5	48.7	26.8	18.8	33.6	47.6
1986	47.0	36.9	16.0	22.9	49.4	27.7	18.4	33.7	47.9
1987	47.9	37.2	14.9	22.4	50.5	27.1	19.4	35.2	45.4
1988	46.3	36.8	16.9	23.5	51.5	25.0	22.6	36.9	40.6
1989	43.4	37.8	18.8	26.6	50.7	22.7	24.2	38.1	37.7
1990	41.0	38.3	20.7	28.9	50.5	20.5	26.7	38.6	34.7
1991	40.1	38.8	21.2	29.8	51.0	19.2	27.2	38.5	34.3
1992	39.2	40.3	20.5	29.3	53.0	17.7	29.5	38.5	32.0
1993	38.9	41.2	19.9	28.9	54.8	16.3	31.4	40.3	28.3
1994	38.7	39.8	21.5	31.0	55.0	14.0	32.5	42.0	25.6
1995	36.4	40.6	23.0	31.9	56.5	11.6	36.5	41.4	22.0
1996	33.9	43.6	22.5	31.8	57.4	10.8	39.7	38.9	21.4
1997	34.9	43.1	22.1	30.3	60.6	9.1	39.7	41.1	19.2

SOURCES: See Table 7.1.

\*In percentage of total exports.

Taiwanese businessmen have been investing in Mainland China because of its abundant labor and cheap land. Most importantly, people in the Mainland speak the same Chinese language and their customs are similar to those of the Taiwanese. All these factors provided great attraction for businessmen to invest in the Mainland. According to the Investment Commission of the Ministry of Economic Affairs, the total investment in Mainland China amounted to \$12.5 billion by the end of June 1998, while the Mainland estimated it as approximately twice as much. Investment in China has had a considerable influence on Taiwan's economy. First, there is a large trade creation effect when Taiwanese firms started investing in the Mainland. For example, Table 7.6 shows that the share of Mainland trade in total exports jumped almost ten-fold from 2% in 1987 to 19% in 1997. In 1991, 51.6% of the total trade across the Strait resulted from investments by Taiwanese firms.<sup>5</sup> Second, in addition to the large trade creation effect, Taiwan has also enjoyed a great amount of trade surplus. Table 7.6 shows that after 1992, Taiwan would have had a trade deficit every year if there had been no

5. C. Kao, J. Lee, and C.C. Lin, *An Empirical Study of Taiwan Investment on Mainland China*, Taipei: Commonwealth Publishing. Co., 1992.

**Table 7.6: Trade Dependence across the Taiwan Strait**

Year	China % Total Exports	China % Total Imports	China % Total Traded	China % Total Trade Surplus
1979(a)	0.00	0.00	0.00	-(b)
1980	0.01	0.00	0.01	-(c)
1981	1.70	0.35	1.05	59.3
1982	0.88	0.44	0.68	4.9
1983	0.80	0.44	0.64	2.5
1984	1.40	0.58	1.06	4.3
1985	3.21	0.56	2.17	9.5
1986	2.04	0.60	1.49	4.1
1987	2.28	0.83	1.71	5.2
1988	3.70	0.96	2.47	17.3
1989	5.03	1.12	3.31	24.0
1990	6.54	1.40	4.23	33.2
1991	9.84	1.79	6.20	51.1
1992	12.95	1.55	7.60	110.3
1993	16.47	1.43	9.32	183.0
1994	17.22	2.18	10.02	218.0
1995	17.40	2.98	10.46	298.7
1996	17.87	3.02	10.95	160.2
1997	19.39	3.42	11.15	240.1

SOURCE: Council for China Affairs, *The Monthly Economic Statistics across the Taiwan Strait*, July, 1998.

(a) The bilateral trade across the Taiwan Strait started in 1979.

(b) In 1979, Taiwan had a trade deficit in the amount of \$34.8 million.

(c) In 1980, Taiwan had a total trade deficit in the amount of \$913 million.

China market. For example, in 1997 the total amount of bilateral trade across the Strait was \$26.4 billion, in which Taiwan enjoyed a surplus of \$18.6 billion compared to its total trade surplus of only \$7.7 billion.

The growing economic interactions across the Taiwan Strait also help explain the shrinking of Taiwan's manufacturing sector and the upgrading of its exports described above. Among the investment cases in the Mainland, most of them have been small and medium firms. The size of many of these firms is so small that they cannot afford to have operations in both Taiwan and China. As a result, 20.7% of Taiwanese firms have closed their business in Tai-

wan.<sup>6</sup> Furthermore, most of the Taiwanese firms in the Mainland are traditional labor-intensive operations, which have to import lots of parts and intermediate goods from Taiwan that are primarily capital- or technology-intensive. Therefore, investing in Mainland China has a positive impetus for firms staying in Taiwan to upgrade their outputs.

### Conclusion

Three distinct features of economic development in Taiwan are a high economic growth rate, a low inflation rate, and an even income distribution. It seems that the long-run government policy of "chasing a high growth rate under a stable environment" works very well in Taiwan. Rapid economic growth has brought drastic structural change as well. The share of the agricultural sector in GDP dropped from 32.8% to 2.7% between 1951 and 1997. In contrast, industry increased from 21.3% to 47.1% of the economy between 1951 and 1986, before falling back to 34.9% in 1997 due to a surge in service sector from 46.9% to 62.3%. There are several reasons accounting for the very significant structural change between 1987 and 1989. First, the exchange rate of NT dollar appreciated by 28.4% from 1986 to 1987. Second, the stock market index jumped from 2,000 points to 12,000 points in two years, and then dropped to 3,000 points again. Third, thirteen private banks were founded in 1992. All these factors have been attributed to the growing importance of the financial sector in Taiwan. The last important reason for the drastic change in Taiwan's economy is the Taiwanese investment in Mainland China. Since 1987, more than 21,000 Taiwanese firms have invested in the Mainland. Since most of the firms investing in the Mainland are traditional and labor-intensive industries, the firms staying in Taiwan have had to shift to more capital- or technology-intensive production. At the same time, the share of the manufacturing sector is shrinking because some firms have closed their business in Taiwan.

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6. C. Kao, C.C. Lin, W.L. Lin, and C.S. Hsu, *The Taiwan Investment Experience in Mainland China: A First-Hand Report*, Taipei: Commonwealth Publishing Co., 1995, p. 171.

## Chapter 8

### GROWING CHALLENGES TO TAIWAN'S ECONOMIC MIRACLE

*Steven A.Y. Lin\**

Taiwan has long been credited with an “economic miracle.” Before the recent Asian financial crisis, the country had soared to somewhere near the threshold of becoming an advanced industrial nation. Within a few weeks after the onset of Thailand’s currency crisis, several other Asian currencies were devalued as much as 30%; and years of economic growth in these countries were wiped out in just a few weeks. Yet, Taiwan, Mainland China and India escaped the crisis relatively unscathed. While the economy performed well in the face of the volatile international financial markets of 1997-1998, Taiwan faces more challenges in her pursuit of (advanced) industrial country status. This chapter examines three of these important challenges. First, the “Asian flu” crisis highlighted several severe structural problems in Taiwan’s financial system. Second, her rapidly growing economic dependency on Mainland China is becoming worrisome. Finally, growing competition with Mainland China and the ASEAN countries in the production of labor-intensive and relatively low-tech products has created a substantial need for industrial upgrading.

#### **Lessons from the Asian Financial Crisis**

A few economists, most notably Krugman, had regarded the claims of the Asian economic miracle as overstated.<sup>1</sup> However, no one really anticipated the recent Southeast Asian currency crisis. Certainly, no one expected the drastic economic meltdown and the wide spread contagion. The worst hit by the crisis were Malaysia, Indonesia, Thailand, and South Korea. The available evidence suggests that the financial excesses of huge capital inflows played a key role. It also points to the importance of a robust financial system

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1. P. Krugman, “The Myth of Asia’s Miracle,” *Foreign Affairs* 73 (November-December 1994), pp. 62-78.

supported by effective regulation and supervision of financial institutions.<sup>2</sup> For example, Table 8.1 implies that the relatively closed capital markets (with lower openness indices) in Taiwan and India and the closed capital account regime in China helped these countries to escape the currency and financial crisis relatively unscathed.

**Table 8.1: Estimates of a Financial Openness Index for Asian Developing Countries, 1980-1990**

Country	Estimate	Country	Estimate	Country	Estimate
India	0.444	Malaysia	0.638	Sri Lanka	0.638
Indonesia	0.865	Philippines	0.577	Taiwan	0.353
Korea*	0.594	Singapore	1.000	Thailand	0.590
*South Korea—1980 0.2; 1984 0.85; 1987 0.3;					
Source: M. Rao and B. Singh. "Optimizing the Pace of Capital Account Convertibility," <i>Economic and Political Weekly</i> , May 23, 1998, p. 1247.					

Taiwan is currently liberalizing its financial sector. The banking system is still dominated by the state-dominated banks. An acceleration of bank privatization is desirable. This privatization should bring more competition and efficiency to the financial sector. With a more developed stock market, many more companies in Taiwan are borrowing their capital through equity and bond markets. Banks are left with higher risk borrowers. Under these circumstances, the formal financial regulatory and supervisory framework needs to be strengthened for a robust financial system. During the transition period to an open capital account regime (which will ultimately benefit the economy and which has been promoted by the International Monetary Fund), certain measures are desirable to moderate financial flows even with a liberalized domestic financial sector. These measures should include the use of market-based instruments, such as reserve requirements on short-term borrowing and deposits denominated in a foreign currency. Long-term direct foreign investment should be encouraged. Thus, a gradual opening of the capital account is suggested by Rao and Singh<sup>3</sup> Their study indicates that a large capital market opening coupled with a weak financial sector makes an economy more

2. S.A.Y. Lin, "Institutional Quality, Financial Sector Development and Economic Performance in East Asia." Paper presented at the 46<sup>th</sup> Annual Meeting of the Atlantic Economics Association, International, Boston, 1998.

3. M. Rao and B. Singh, 1998. "Optimizing the Pace of Capital Account Convertibility," *Economic and Political Weekly*, May 23, pp.1247-1254.



susceptible to financial crisis. Thailand, Malaysia, Indonesia and South Korea provide unfortunate examples.

The liberalization of a country's financial sector is desirable to attract foreign capital and to improve the sector's efficiency. For example, Taiwan needs to speed up its privatization of the state-dominated banks to improve the efficiency of its financial sector. However, an integrated international financial market is inherently volatile. A robust financial market is a prerequisite for a free capital account regime. Sound macroeconomic and exchange rate policies are important as well for countries, such as Taiwan, that have adopted an export-oriented growth policy. Thus, the regulation and supervision of the financial sector need to be strengthened. Financial excesses were the main cause of the Asian currency and financial crisis. The Asian countries with higher degrees of capital market openness were hurt more by the crisis. The market-based policy should be maintained or initiated to encourage long-term capital inflows, but, in addition, the inflow of short-term capital or "hot money" denominated in foreign currencies should be discouraged.

### **Increasing Economic Dependence on Mainland China**

Over the last decade, Taiwan has become increasingly dependent economically upon the Chinese Mainland in terms of both its trade patterns and, especially, its outward flows of foreign direct investment (FDI). While these changes in trade and investment patterns have clearly been motivated by expectations of economic gain by the Taiwan business community, the growing economic dependence creates the potential for two types of problems in the future. First, economic trends in the somewhat unstable Mainland economy could have harmful repercussions on Taiwan. Moreover, these strictly economic problems are exacerbated considerably because the governments on the two sides of the Taiwan Strait are increasingly bitter political rivals.

Table 8.2 shows the dramatic reorientation of Taiwan's exports that occurred between 1987 and 1997 (the geographic distribution of imports remained fairly stable). Over this ten-year period, Asia's share of Taiwan's exports almost doubled from just over a quarter to nearly a half with Hong Kong (which serves as a conduit for trade with the Mainland) leading the way as its share of Taiwan's total exports tripled from 8% to 24%. Correspondingly, exports to North America fell from just under a half to a quarter. Taiwan's trade with Hong Kong and the Mainland is quite unbalanced. In

**Table 8.2: Regional Distribution of Taiwan's Trade**

Region Export To	1997 (%)	1987 (%)	Region Import From	1997 (%)	1987 (%)
Asia	50.7	28.2	Asia	48.4	45.0
Hong Kong	23.9	7.7	Japan	27.0	33.8
North America	25.5	47.0	North America	21.5	23.7
European C.M.	13.8	13.2	European C.M.	15.3	12.7
Total	\$122 Bil.	\$54 Bil.	Total	\$114 Bil.	\$35 Bil.
Sources: <i>Economic Outlook</i> (Taipei: Chung-Hwa Economic Research Institute). Various issues, 1997-1998; <i>Taiwan Statistical Data Book, 1998</i> (Taipei: CEPD).					

1991, Taiwan had a trade surplus with the Mainland that was estimated at \$10 billion; it was \$20 billion in 1995 and \$20.3 billion in 1997. This huge surplus is caused by the fact that much of Taiwan's trade with the Mainland is driven by the massive investments that Taiwan's businessmen have made in the Mainland since the late 1980s. In particular, Taiwan exports intermediate products that are used by the new factories operated by Taiwan entrepreneurs. For example, following Hong Kong's reversion, Taiwan became the second largest investor in Mainland China after Japan based on the accumulated value of investments. Taiwan's investment in the Mainland at the end of 1996 was estimated at \$15 billion by Taiwan and \$35 billion by the Mainland (reflecting the fact that many Taiwan companies do not report their Mainland investments to the government, as suggested by the data in Table 8.3). Overall, this investment accounted for just over 36% of Taiwan's total accumu-

**Table 8.3: Taiwan's Investment in the Mainland**

	Approved (Mil. US\$)	Amount/Case (Mil. US\$)	Official Mainland Data Actual (Mil. US\$)
1991	174.16	0.73	685
1992	246.99	0.94	1,058
1993	3,168.41	0.34	3,139
1994	962.21	1.03	3,391
1995	1,092.71	2.23	3,162
1996	1,229.24	3.21	3,475
Source: <i>Economic Outlook</i> (Taipei: Chung-Hwa Economic Research Institute). Various issues, 1997-1998.			

lated FDI, although it is much less important, relatively speaking, for the Mainland (e.g., Taiwan's investment constituted only 9% of the total inward FDI going to the Mainland in 1993, and this figure decreased to 7% in 1996).

These shifts in the investment and trade patterns of Taiwan were caused by Mainland China's growing participation in the international vertical division of labor, coupled with the efforts of Taiwan, South Korea and Japan to reduce their trade surpluses with the U.S. by moving production facilities off shore. This trend was encouraged by the rising protectionist tendencies in North America (NAFTA) and Europe (European Common Market). For example, over 90 percent of these investments in the Mainland produce goods for export. Thus, the diversification of export markets is seen as part of Taiwan's alternative economic survival strategies. Yet, Taiwan's overconcentration of investments and trade with Mainland China has yielded costs as well as benefits.

Initially, Taiwan's investments in the Mainland were concentrated in the low-wage industries. By 1995, for instance, Mainland China had replaced Taiwan as one of the top five suppliers to the U.S. of such labor-intensive products as apparel and other textile products, leather and leather products, and miscellaneous plastics.<sup>4</sup> Surplus labor, cheap wages and available land, in addition to cultural and linguistic affinities, made the Mainland a very attractive place for Taiwanese manufacturers of these products. By the mid-to-late 1990s, though, Taiwan's investments in Mainland China had gone beyond the labor-intensive sunset industries. Taiwan FDI in the next higher technological levels of production are in chemical products, basic metals and metal products, and the electronic and electric appliances industries. As indicated in Table 8.4, the dollar amount of Taiwan's investment in the Mainland was close to 50 percent of Taiwan's total FDI in each of these industries based on the accumulated values of investments at the end of 1996.<sup>5</sup> The average growth rate for these industries in Taiwan was a positive 5 to 11 percent up through the end of 1996 (see Table 8.4). This indicates that these investments in the Mainland have complementary effects on the respective industries in Taiwan through a division of labor across the Taiwan Strait. While they also exerted a pressure for Taiwan to upgrade its manufacturing industries, investments in the

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4. R. Feenstra, W. Hai, W. Woo and S. Yao. 1998, "The U.S.-China Bilateral Trade Balance," *NBER Working Paper* #6598.

5. *Economic Outlook*, Nov. 5, 1997, p. 34.

**Table 8.4: Stock Values (year end 1996) of Taiwan's  
Manufacturing Outward FDI in Mainland China  
by Industry**

	Total Outward FDI*** (MilUS\$)	Investments in Mainland as % of Total Outward FDIs	Inv. In Mainland as % of Gross Domestic Fixed Capital	Average Growth Rate of Real GDP
Food & Beverage		66	16.9	3
Textiles	543,041	**43.3	8.1	-2
Apparel	83,069	*68.5	50.8	-11
Leather & Leather Products	9,194	*88.9	29.3	-12
Wood & Bamboo, etc.	106,253	*68.3	68.9	15
Paper products & printing	230,753	*42.2	3.5	-1
Chemical Products	1,141,491	**29.8	5.2	9
Rubber products	217,238	*53.4	20.5	-3
Plastic products	29,263	95.6		
Non-metallic Minerals	386,041	**48.3	13	5
Basic Metals & Metal product	606,740	**50.2	4.3	6
Machinery	39,157	83.3	6.9	5
Electronic & Electric Appliances	1,898,117	**37.9	8.2	11
Transport Equipment	207,841	65.4	7.9	2
Precision Instruments	36,066	92.1	78.3	-3
* Industries not under restriction for outward investment to Mainland ** Industries under restriction for outward investment to Mainland *** Approved amount, unofficial statistics are over twice as high				
Source: <i>Economic Outlook</i> (Taipei: Chung-Hwa Economic Research Institute). Various issues, 1997-1998.				

food and beverage, machinery, rubber products and (to a lesser extent) transport equipment industries also created complementary effects for Taiwan's industries. The last category of industries (and possibly the most worrisome one for Taiwan) is the precision instruments industry. By the end of 1996, Taiwan's investment in the Mainland for this industry was approximately 78 percent of Taiwan's total outward investments. The average rate of real growth

for this industry in Taiwan was a negative 3 %. This is an indication of the hollowing out of a relatively high tech industry for Taiwan.

Taiwan's capital and technology have been and will continue to be an enormous help for Mainland China's industrial and economic growth. However, Taiwan's growing linkages with the Mainland are creating a double-edged sword. On one hand, this trade and investment benefit both economies by creating "complementary effects" in some industries through a division of labor. On the other hand, they induce "replacement effects" in some of Taiwan's industries by the new Mainland production. Such "replacement effects" cause a great concern especially when they take place in relatively high technology industries. Montgomery and Porter argue, for instance, that outward foreign direct investment should be selective and that certain technologies need to be protected in the home base.<sup>6</sup> The high degree of economic dependency on Mainland China in terms of investments and trade, hence, is alarming. Consequently, the diversification of investment and trade is a more prudent business strategy. Taiwan should also encourage and assist its businesses to diversify or increase their investments near centers of consumer markets.

However, the economic and political instability brought on by the 1997-1998 financial crisis scared many Taiwanese businesses despite government officials' efforts to steer businesses away from the Mainland to Southeast Asia. In fact, many medium and large companies, instead of the usual small companies, are making investments in the Mainland (e.g., see the tripling of the size of the average investment in the Mainland just between 1994 and 1996 in Table 8.3). Taiwan government statistics indicate that in 1998 the percentage of medium and large companies' investments in the Mainland jumped to 53 percent of total approved investments in the Mainland from 25 percent estimated at the end of 1997. Among these enterprises, companies from the electronic and electric appliances industry are the top investors. Mainland China is now pulling in new investors who had previously resisted her appeal. An example is the personal computer giant Acer, Inc. Following the electronics industry, businesses in food and beverage, basic metals and metal products, and chemical products are now the top investors. Most are no longer importing their parts and equipment from Tai-

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6. C. Montgomery and M. Porter, Eds., *Strategy: Seeking and Securing Competitive Advantage*, Cambridge: Harvard Business Review, 1991.

wan. The complementary effects of Mainland investments for Taiwan's domestic economy, therefore, are clearly eroding.

### **Upgrading Industry and Inward FDI**

The overwhelming challenge facing Taiwan's firms is their continued ability to identify new products or processes that will enable them to maintain a respectable rate of export growth. Upgrading industries has become slower and more expensive. Taiwan has done well to move close to best world practice in a few sectors of manufacturing. However, her move into new product areas will be vigorously contested by the firms from advanced industrialized countries. Thus, attracting inward FDI that can serve as the basis for technology transfer has become a central component in Taiwan's economic development strategy.

Firms in Taiwan are mostly small or medium-sized. These businesses have the advantage of being nimble in terms of adapting to changes in market conditions and of making rapid choices about new products or processes. In addition, businesses from advanced developed countries have been more willing to transfer certain low-level technologies to Taiwanese firms because these firms are small-sized and posed little threat to them. However, such firms are at a great disadvantage in industrial upgrading because they have extremely limited research and development (R & D) capabilities. Larger firms, in contrast, have advantages getting into new product markets. Larger businesses with longer production runs derive an advantage in covering the fixed costs associated with absorbing new technologies. In addition, large firms can spread firm-wide risk better than smaller businesses because they have many products in their portfolio. Korea's reliance on the large *chaebol* is a good case in point. Taiwan's recent progress in science and technology is largely attributable to the government's direct involvement. The small-sized and medium-sized entrepreneurs are still reluctant or unable to invest in human capital and develop R & D capability. Thus, the government should encourage the formation of larger firms through acquisition and merger and through speeding up the privatization of state corporations which tend to be larger. The challenge for the government is to foster an economic environment in which more private entrepreneurs can compete fairly in technological adaptation and innovation in the future. In addition, Taiwan has to continue to diversify its investments beyond the semiconductor industry and to leapfrog into additional high-tech industries.

Another important strategy should be to use the FDI coming to Taiwan to promote technology transfer and industrial upgrading. Inward FDI coming into Taiwan tapered off for most of the 1990s, but did pick up again in 1997. Faced with pressures to upgrade its industries, the government is seeking to attract foreign multinational corporations from the United States, Europe and Japan to invest in Taiwan as a high-end manufacturing base in Asia. Unfortunately, firms from the advanced industrialized countries are becoming more reluctant to transfer technology in the increasingly competitive international environment that is giving rise to technological "nationalism." Taiwan draws more foreign direct investments from Japan than from the U.S. due to its geographical proximity to Japan and its status as a former Japanese colony. In addition, Japanese firms have been much more interested in the Asian countries than have their competitors from the United States and Europe.<sup>7</sup> Japan started with foreign investments in labor intensive industries and gradually moved into low-end high tech industries as part of a global strategy to achieve economies of scale, scope, and networking.<sup>8</sup> By capitalizing on the region's deepening division of labor, Japanese manufacturers use the region in part as a platform for exports to developed markets in the United States and Europe. The host countries generated a substantial trade surplus with the United States, making Asian economies the most active exploiters of the "trade-as-aid" policy of the United States. Taiwan, like several other Asian countries, has embraced Japanese capital and gained some technology transfers. Yet, Taiwan has also incurred substantial trade deficits every year with Japan because of the need to import Japanese parts and equipment.

### Conclusions

Taiwan has long been recognized for its "economic miracle" of extremely rapid growth and industrial transformation. Currently, Taiwan is facing a considerable challenge to maintain its economic dynamism within a changing regional economy in East Asia. Over time, Japan has moved up to the higher phases of industrialization. The "four little dragons" in East Asia, including Taiwan, followed Japan into labor intensive and then into high tech production. The ASEAN countries and China, in turn, replaced the little dragons in

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7. W. Hatch and K. Yamamura, *Asia in Japan's Embrace*, Cambridge: Cambridge University Press, 1996.

8. G. Kozmetsky and P. Yue, *Global Economic Competition*, Boston: Kluwer, 1997.

the lower level of labor-driven exports to the developed world, particularly the United States. Taiwan, therefore, is in the middle of an arduous effort at industrial upgrading. This chapter has examined three of the challenges that must be surmounted if the “economic miracle” is to continue. First, as the Asian financial crisis made clear, the government must exercise extreme care in protecting and regulating the country’s financial sector as it becomes liberalized and open to international economic forces. Second, great care is needed in managing Taiwan’s growing economic dependence upon Mainland China, its political rival. Finally, government initiatives appear crucial for leading Taiwan’s current upgrading into the high tech industries.



**PART II. TAIWAN'S FOREIGN POLICY:  
PRAGMATIC DIPLOMACY AT  
A CROSSROADS**



## Chapter 9

### THE WASHINGTON-TAIPEI-BEIJING STRATEGIC TRIANGLE

*David S. Chou\**

In the post-Cold War era, Taipei has sought to improve its relations with Washington by arguing that the so-called Washington-Taipei-Beijing triangular relationship no longer exists and that Taipei-Washington relations and Beijing-Washington relations are just like two parallel lines that should not cross each other. However, reality proves otherwise. The triangular relationship never dies. In spite of Taipei's earnest hopes, it is still alive and well. Lowell Dittmer has developed three models to describe the strategic triangular relationship among the United States (US), the Soviet Union, and the People's Republic of China (PRC). This paper applies Dittmer's models to the triangular relations among the US, the PRC and the Republic of China (ROC) to show the interconnections among the three sets of bilateral relations and to draw policy implications for Taipei.

#### **Dittmer's Three Models of a Strategic Triangle**

Dittmer conceives the "strategic triangle" as a sort of transactional game among three players. Any player will prefer a positively valued relationship ("amity") with other players to a negative one ("enmity"). The three models constructed by Dittmer are called the "*menage a trois*" model, the "romantic triangle" model, and the "stable marriage" model.<sup>1</sup> The "stable marriage" model consists of amity between two of the players and enmity between each and the third. This model offers the least cumulative benefit to the three players; and in order to escape further ostracism, the excluded player has to improve relations with one or both of the others. In the "*menage a trois*" model, amity exists among all three players. The model would preserve balance and provide incentives

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1. Lowell Dittmer, "The Strategic Triangle: An Elementary Game-Theoretical Analysis," *World Politics* 33 (April 1981), pp. 485-515.

to all three for continued cooperation at minimal cost. Finally, the “romantic triangle model” consists of amity between one “pivot” player and two “wing” players, while enmity exists between each of the latter. From the perspective of the “wing” players, the model is not maximally secure because the first player can never be sure whether the relationship between the second and third players is in its interest. In contrast, this is the most desirable arrangement from the perspective of the “pivot.”

### **The Triangle Prior to the Clinton Administration**

During 1950-1970, the pattern of interaction between the US and the ROC was that of a “stable marriage.” They were joined in a positive relationship by the 1954 mutual defense treaty as well as by ideological affinity. With the outbreak of the Korean War in June 1950, the US abandoned any hope of establishing friendly relations with the PRC and extended its containment policy to East Asia. The PRC and the ROC regarded each other as deadly enemies. In the early 1960s, the Kennedy administration toyed with the idea of “containing but not isolating” the PRC. But US domestic politics, the escalation of the Vietnam War, and the Chinese Cultural Revolution all made it impossible to improve Washington-Beijing relations.

The 1970s witnessed a transition to a “romantic triangle.” The Nixon administration was not only determined to “detoxicate” the PRC but also perceived Beijing as a strategic asset, instead of an adversary, in containing Soviet expansionism. Both the Nixon and the Carter administrations, therefore, actively pushed for normalizing relations with the PRC, even at the expense of America’s ties with the ROC. After the Sino-Soviet border clashes in 1969, the Soviet Union attempted to encircle the PRC. With the proclamation of the Nixon Doctrine and the initiation of a phased withdrawal from Vietnam, the US no longer posed an immediate threat to the PRC. In the eye of Beijing’s leaders, the Soviet Union replaced the US as their primary enemy; and the latter could be played off against the former. During the 1970s, both Taipei and Beijing still sought to defeat the other in the unfinished civil war. In 1971, Taipei lost in its struggle against Beijing for representing China in the United Nations. Beijing became the top dog in the diplomatic competition with Taipei. The US still maintained its diplomatic and alliance relations with Taipei but established a liaison office in Beijing.

In contrast, none of Dittmer's three models fully describes the Washington-Taipei-Beijing triangle during the 1980s. On January 1, 1979, the US switched diplomatic recognition from the ROC to the PRC. The 1954 Sino-American mutual defense treaty was terminated at the end of that year too. The Carter administration acknowledged that there was one China and that Taiwan was part of China. It was prepared to maintain only cultural, commercial, and unofficial relations with Taiwan. The "betrayal" of a long-standing ally by the US aroused, at least, temporarily, anti-American sentiment in Taiwan, until the US Congress came to the rescue of Taiwan by adding a security clause to the Taiwan Relations Act (TRA) whereby the US committed itself to support Taiwan's security interests, including arms for defensive purposes. The US established the American Institute in Taiwan (AIT), an officially unofficial agency, for facilitating unofficial relations with Taiwan. Consequently, although Washington was divorced from Taipei, it still maintained an "affair" with the latter.

President Reagan revived an anti-Soviet containment policy; and his Secretary of State Alexander Haig actively sought to build a strategic consensus with Beijing in deterring Soviet expansionism. However, Reagan's pro-Taiwan sentiment and rhetoric alarmed Beijing's leaders. They made a political and diplomatic issue of US arms sales to Taiwan and demanded an end to the sales. To maintain relations with the PRC, the US met Beijing's demand half way. In the US-PRC joint communiqué of August 17, 1982, the US stated that it does not seek to carry out a long-term policy of arms sales to Taiwan and that its arms sales to Taiwan will not exceed the level of those previously supplied in either qualitative or quantitative terms. These concessions clearly violated the terms of the TRA. However, they failed to win over Beijing for a strategic consensus against Moscow, as the PRC decided to adopt an independent foreign policy, in other words, to keep an equal distance from the two superpowers. There wasn't a stable marriage between Washington and Beijing. In 1989, President Bush was forced by congressional and public opinion to take several punitive measures against the PRC for the Tiananmen massacre. Beijing accused the US, Taiwan and Hong Kong of being behind-the-scenes supporters of the pro-democracy movement in Mainland China. US-PRC relations deteriorated. But Bush still regarded the PRC as a valuable partner against the Soviet Union as well as for his new world order. He therefore fought hard to prevent Congress from taking more sanctions against Beijing.

After 1979, Beijing intensified its peace offensive against Taiwan. On January 1, 1979, it stopped shelling the offshore islands held by the ROC and called for setting up with Taiwan "three links" (direct mail, trade, and air and shipping services) and "four exchanges" (cross-Strait visits by relatives and tourists, academic groups, culture groups, and sports representatives) as a first step toward the ultimate goal of unification. On September 30, 1981, Marshall Yeh Chien-ying made a specific nine-point proposal to Taipei on unification and offered Taiwan "a high degree of autonomy as a special administrative region" after unification. The late president Chiang Ching-kuo of the ROC turned down Beijing's offer and declared the "three no's" policy: no contact, no negotiation, and no compromise with Beijing. He insisted on the unification of China through Dr. Sun Yat-sen's Three Principles of the People. However, he quietly dropped the long-held slogan of "counterattack the mainland" and gradually allowed indirect trade between the two sides of the Taiwan Strait. Finally, on November 2, 1987, he lifted a ban on Taiwan residents visiting their relatives on the Mainland, largely for humanitarian reasons. In May 1990, the ROC formally recognized Beijing's jurisdiction over the Mainland. Taipei has since argued that China is a divided country, that it would be willing to open a dialogue with Beijing on the basis of "one country, two governments" or "one country, two equal political entities." Indirect trade and exchanges between the two sides grew rapidly. In 1991, the ROC and the PRC established the Strait Exchange Foundation (SEF) and Association for Relations Across Taiwan Strait (ARATS) respectively as private liaison bodies for handling cross-Strait civilian affairs in the absence of formal ties between Taiwan and Mainland China. The two Chinas had begun to "flirt" with each other.

### **The Triangle During the Clinton Administration**

During the Clinton administration, the triangular relationship moved first toward a pattern similar to the *menage a trois model*, then toward a pattern similar to the stable marriage model, and finally toward an ambiguous pattern which somewhat resembles the romantic triangle model.

#### **1. 1993-1994**

During this period the triangular relations were generally speaking in much better shape than before. In spite of the differences and disputes on such issues as human rights, trade, and weap-

ons proliferation, the US formally launched its policy of comprehensive engagement toward the PRC. Meanwhile Taipei and Beijing reached an agreement on systematic cross-Straits dialogue in Singapore. The triangular relationship moved toward, if it did not turn into, the *menage a trois* model.

The Clinton administration recognized the importance of China and decided pretty early to pursue an engagement policy. Assistant Secretary of State Winston Lord testified in June 1993 that "We will engage the Chinese in a variety of ways to make progress during the coming year and beyond. . . . In the long run, sound US-Chinese relations are of vital importance not only for our mutual prosperity and welfare but for international peace and stability."<sup>2</sup> Clinton himself also pointed out: "China occupies an important place in our nation's foreign policy. It is the world's most populous state, its fastest growing major economy, and a permanent member of the UN Security Council. Its future will do much to shape the future of Asia, our security and trade relations in the Pacific, and a host of global issues, from the environment to weapons proliferation. In short, our relationship with China is of very great importance."<sup>3</sup> To improve Washington-Beijing relations, the Clinton administration extended the most-favored-nation status to the PRC and delinked human rights from trade. The US and the PRC restored high level military exchanges. In October 1994, US defense secretary William Perry visited the PRC, the first trip there by a defense chief since the 1989 Beijing massacre which led to the rupture of military ties between the two countries.

Cross-strait relations also improved. SEF chairman Koo Chen-fu and ARATS chairman Wang Daohan met for the first time in April 1993 in Singapore and laid a framework for systematic cross-Straits dialogue. More importantly, they agreed to disagree on the definition of one China, thereby putting on the shelf the controversial political issue of sovereignty and showing a willingness to solve practical civilian issues between the two Chinas.

Having improved relations with Beijing, the Clinton administration announced its new Taiwan policy in July 1994. It agreed to change the name of Taiwan's office in the US from the CCNAA to the Economic and Culture Office of Taipei; to permit US high level

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2. Testimony of Assistant Secretary of State for East Asian and Pacific Affairs Winston Lord before the Subcommittee on Trade of the House Ways and Means Committee, June 8, 1993.

3. President Bill Clinton, Remarks on U.S.-China Relations in the 21<sup>st</sup> Century, National Geographic Society, Washington, D.C., June 11, 1998.

officials of economic and technical ministries and agencies to visit Taiwan and meet with Taiwan officials; to permit the officials of the AIT to visit ROC ministries; and through the AIT, to hold bilateral economic dialogue at the undersecretary level. Although the Clinton administration kept intact the "one-China" policy and maintained the officially unofficial relations with Taiwan, it did try to make some adjustments for the sake of increasing ties with Taiwan.

## 2. 1995-1996

During these years, the triangular relationship moved toward something like a "stable marriage" or a "quasi marriage." The PRC downgraded its diplomatic relations with the US and cut off dialogue with the ROC. Moreover, in the 1996 Taiwan missiles crisis, the US played the role of supporting and protecting Taiwan against Beijing's hostile acts. There was then amity between the US and ROC, but enmity between the US and the PRC as well as between the ROC and the PRC.

During 1995 and 1996, the US and PRC were not only on the verge of a trade war but also on the brink of military confrontation in the Taiwan area. In February 1995, the threat of a trade war was brought on by the clash over intellectual property rights.<sup>4</sup> The US and the PRC reached an agreement on February 15 to protect US intellectual property rights before US sanctions on more than \$1 billion in Chinese-made imports were to take effect. In 1996, Washington accused China of reneging on its commitment to implement the agreement and threatened to sanction more than \$3.5 billion in Chinese-made imports. The trade war was finally averted after China yielded to US demands. However, a much more serious conflict between the US and the PRC erupted over the Taiwan question, or more particularly over the visit of President Lee Teng-hui to the US.

In spite of the significant growth and development of exchanges and ties between them, the two sides of the Strait still engage in a competitive struggle for legitimacy and international status. The ROC was clearly the underdog in the struggle. However, it was already the fourteenth largest trading country in the world and the possessor of the world's second largest foreign exchange reserves. In other words, it has cut a figure economically too large to be ignored. But its international status was far below

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4. Kari Huus, "Back to Normal: US-China Trade War Looms Closer," *Far Eastern Economic Review*, January 19, 1995, p. 52.



what it justifiably deserved. Moreover, as it moved from being an authoritarian government to a democratic one, it had to take domestic pressures into consideration. Most of the pressure comes from people who have traveled abroad for business or pleasure and who often found the absence of diplomatic relations a major irritant and inconvenience. The Democratic Progressive Party (DPP), the largest opposition party, had pressed for Taiwan to solve its international identity problem by declaring itself formally independent from the mainland. As ROC premier Lien Chan said: "Given the ROC's political and economical strength, it is only natural for our people to demand an international status commensurate with the reality of Taiwan's role in the world."<sup>5</sup> Thus, President Lee Teng-hui has actively pushed the so-called "pragmatic diplomacy" in order to break out of Beijing's imposed diplomatic isolation.

In 1994, US domestic political development presented an opportunity for Lee to make a "private visit" to the US. The Republican victory in the US congressional elections in November 1994 produced what was called "the most pro-democracy, pro-Taiwan, pro-Tibet, anti-Chinese Communist Party and anti-People's Liberation Army Congress in recent memory."<sup>6</sup> House speaker Newt Gingrich, for example, called in July 1995 for the US to reestablish diplomatic ties with Taiwan.<sup>7</sup> The US Congress passed a resolution in favor of granting Lee a visa for a private visit to his *alma mater* Cornell University by a vote of 91-1 in the Senate and 360-0 in the House of Representatives. Under the overwhelming congressional pressure, Clinton decided to allow Lee to pay a "private visit" to the US in June 1995. President Lee's private visit to the US in June 1995 was particularly disturbing to Beijing leaders, partly because US high officials, including Assistant Secretary of State Winston Lord, had repeatedly assured them that the Clinton administration would not allow Lee to come to the US and partly because, as the US is the leading country in the world, allowing Lee to make a "private" visit might set a precedent for other major countries, particularly Japan whose Kyoto University also is President Lee's *alma mater*. Therefore, following President Lee's visit to Cornell, the PRC recalled its ambassador to the US and cut off bilateral military

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5. Lien Chan, "A Pragmatic Strategy for China's Peaceful Reunification," *American Asian Review* 14 (Spring 1996), p. 104.

6. Nayan Chanda, "Storm Warning," *Far Eastern Economic Review*, December 1, 1994, pp. 14-15.

7. Simon Reeve, "Thanks, But No Thanks," *Far Eastern Economic Review*, July 27, 1995, p. 19.

exchanges. US-PRC relations dropped to their nadir since they had established diplomatic relations in 1979. Beijing launched wave after wave of rhetoric against Lee, accusing him of engaging in activities which aimed to create "two Chinas," "one China and one Taiwan," or "Taiwan independence."

During July and August 1995, the PRC conducted two sets of highly publicized missile tests close to the northern coast of Taiwan. In March 1996, as the ROC was holding its first-ever direct presidential election, Beijing held a series of military exercises in the Taiwan Strait, including a missile test exercise with the target boxes just 30 to 40 miles away from Keelung and Kaohsiung, the two largest ports of Taiwan. Beijing's saber-rattling put Taiwan's military on high alert. The 1996 missile crisis in the Taiwan Strait represented a test of US resolve to fulfill its security commitment to Taiwan. Washington rose to the test by sending two aircraft carriers to the Taiwan area, ostensibly for the purpose of monitoring Beijing's missile tests. Through this demonstration of force, the US played the role of supporting and protecting the ROC. However, this role obviously ran counter to the objective of comprehensive engagement with Beijing. The US did not and does not want to fight against the PRC over Taiwan, not the least because Beijing threatened to attack US cities with nuclear bombs in 1996. It sought to defuse cross-Strait tensions, in order to amend its battered relations with the PRC and to maintain peace and stability in the Western Pacific. Therefore, it warned the PRC not to use force against Taiwan, while telling Taipei not to take politically provocative actions against Beijing. It appealed to both sides to restore dialogue.<sup>8</sup> But it has consistently held that resolution of the Taiwan issue is a matter to be worked out peacefully by the Chinese themselves. Thus while encouraging both sides to restore dialogue, Washington still refuses to mediate between them.

While cross-Strait economic relations continued without interruption during the crisis of 1995-1996, Beijing cut off the dialogue between ARATS and SEF. After the conclusion of the presidential election in March 1996, Beijing ended its military exercises; and the US also moved its two carrier battle groups away from the Taiwan area. The storm was over, but the sun has yet to shine through the cloudy sky so far as cross-Strait relations are concerned.

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8. Testimony of Assistant Secretary of State for East Asian and Pacific Affairs Winston Lord before the Subcommittee on East Asia and the Pacific of the Senate Foreign Relations Committee, February 7, 1996.

### 3. 1997-1998

In the last two years, the triangular relationship has seemed to have moved toward a “romantic triangle” with the US as the “pivot” player. The US and the PRC not only restored their relations to the 1994 level but established a constructive strategic partnership. The Clinton administration reiterated the US role of protecting Taiwan against the PRC’s military attack. However, it seemed to regard Taipei as a trouble maker and moved the US position from stressing a peaceful resolution of differences between the two Chinas to suggesting a peaceful unification of China. In spite of the Koo-Wang meeting in 1998, enmity rather than amity has dominated the relations between the two Chinas.

The US-PRC relationship gradually stabilized only after the US reassured the PRC over and over again that it remains committed to a “one-China” policy and that Lee’s visits to the US in the future would be “rare and infrequent.” The Clinton administration recognized that the US-China relationship is one of the most important in the world and that it is rapidly becoming even more crucial because the PRC will play a growing role in the world — which can be either helpful or harmful. Consequently, the US wants to pursue a policy of engagement to help integrate the PRC into the world community so that Beijing would increasingly see its interests served by adherence to international norms, whether the issue is human rights, non-proliferation, or trade. In short, the US believed that its national interest was best served by developing and maintaining constructive relations with the PRC. Clinton went so far as to say that “our relationship with China will in large measure help to determine whether the new century is one of security, peace, and prosperity for the American people.”<sup>9</sup>

While the Clinton administration stressed the importance of comprehensive and constructive engagement with the PRC, it denied that engagement is the same as endorsement, accommodation or appeasement. Secretary of State Madeleine K. Albright said: “Engagement is not the same as endorsement. Our approach includes frank talk about differences. When warranted, it includes targeted sanctions or other appropriate measures to make tangible our disapproval. But it also includes an active search for areas where we can work with China for our own benefit, and that of the

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9. President Bill Clinton, Remarks on U.S. China Relations in the 21<sup>st</sup> Century, National Geographic Society, Washington, D.C., June 11, 1998.

region and the whole world.”<sup>10</sup> The Clinton administration, therefore, adopted a policy of engagement instead of containment, because it believed that containing the PRC was unworkable, counterproductive, and potentially dangerous. In Clinton’s words:

Military, political, and economic measures to do such a thing would find little support among our allies around the world and, more importantly, even among Chinese themselves working for greater liberty. Isolation would encourage the Chinese to become hostile and to adopt policies of conflict with our own interests and values. It will eliminate, not facilitate, cooperation on weapons proliferation. It would hinder, not help, our efforts to foster stability in Asia. It would exacerbate, not ameliorate, the plight of dissidents. It would close off, not open up, one of the world’s most important markets. It would make China less, not more, likely to play by the rules of international conduct and to be a part of an emerging international consensus.<sup>11</sup>

US-PRC relations entered into a new era when Jiang Zemin made a state visit to the US in late October 1997. At the first formal summit, Jiang and Clinton agreed on regular contacts at the presidential level, at the Secretaries of State and Defense level, at the National Security Council level, and at the undersecretary and the assistant secretary levels. More importantly, they agreed to establish a constructive strategic partnership between the two countries. Although it is not an alliance, the partnership commits the two countries to engage in strategic dialogue about common problems or challenges and about cooperation for maintaining peace, stability, and prosperity in the world<sup>12</sup>

After the missile crisis ended, both sides of the Strait accepted the US appeal for the resumption of a dialogue. But they differed on the nature of the dialogue. Taipei maintained that the dialogue should be restored from where it was broken off. In other words, it wanted to first open channels for handling civilian problems such as cross-Strait smuggling, drug trafficking, reparation of stowaways and fishing disputes. Beijing set forth the obtrusive precondition

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10. Secretary of State Madeleine K. Albright, Address to the Commonwealth Club, San Francisco, June 24, 1997.

11. President Bill Clinton, Address on China and the National Interest, Voice of America, Washington, D.C., October 24, 1997.

12. Joint US-China Statement, October 29, 1997.

that any formal discussion must address political issues between the two sides, in direct opposition to Taipei's position. While both sides tried to kick the ball into the other side's court, the US has subtly assumed the role of progress facilitator. Despite the US's public protestation that it would not press any one into talks, the message from Washington is clear: the US wants peace and stability in the Taiwan Strait and believes that the only way to achieve it is to get the two Chinas back into dialogue again. At the joint press conference with Jiang Zemin on October 29, 1997, President Clinton personally appealed both sides of the Strait to reopen dialogue "as soon as possible," adding that "sooner is better than later."<sup>13</sup> A parade of influential American visitors to Beijing and Taipei has communicated this message time and again.

In early March 1998, Clinton's former national security council advisor, Anthony Lake, enunciated the US view in public and in private by arguing that renewed talks are in the interest of both sides. Former defense secretary William Perry, retired chairman of the joint chiefs of staff General John Shalikashvili, and former assistant defense secretary Joseph Nye echoed Lake's message in Taipei; and Nye accentuated the message in his *Washington Post* proposal for ending tension in the Taiwan Strait<sup>14</sup> (see Chapter 12 for a critical review of Nye's thesis). Deputy Assistant Secretary of State for East Asian and the Pacific Affairs Susan L. Shirk also sent a clear message to Taipei. She pointed out that Taiwan's security "really depends upon more than military factors," but "over the longer term will be contingent upon further steps the two sides can take to develop peaceful and productive relations."<sup>15</sup>

Long-standing US policy concerns center on easing tensions and striking a proper balance between the two sides of the Strait. However, the Clinton administration has increasingly stressed the importance of the PRC in its foreign policy. Secretary of State Albright once said, "No nation will play a larger role in shaping the course of 21st century Asia than China."<sup>16</sup> The greater the importance that the US attaches to relations with the PRC, the stronger

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13. Press Briefing by Secretary of State Madeleine Albright and National Security Advisor Sandy Berger, October 29, 1997.

14. Joseph S. Nye, Jr., "A Taiwan Deal," *Washington Post*, March 8, 1998, p. C7.

15. Testimony of Deputy Assistant Secretary of State for East Asian and Pacific Affairs Susan L. Shirk before the House International Relations Committee, May 20, 1998.

16. Secretary of State Madeleine K. Albright, Lecture at the US Naval Academy, Annapolis, April 15, 1997.

the urge to please Beijing or to endorse Beijing's proposals as a reasonable option for the future of Taiwan, thereby generating the greater pressure that Taipei has felt from Washington during the last few years. Clinton's remarks during his trip to the PRC in 1998 reflect the trend of US policy tilting toward Beijing's views. On June 30, 1998 he publicly announced in Shanghai the "three no's" policy: no support for the independence of Taiwan, no support for "two Chinas" or "one China, one Taiwan," and no support for Taiwan's bid to join the United Nations or other international organizations which require statehood as a condition for membership.<sup>17</sup> Earlier in Beijing, he told the students of the University of Beijing that when the US and the PRC agreed on a "one China" policy, they also agreed that "unification would occur by peaceful means."<sup>18</sup> He thereby put the US on record as backing reunification, going beyond longtime US policy in support merely of "peaceful resolution" of the differences between the two sides of the Strait. This went far beyond the language of the three formal communiqués between the US and PRC in which the US "acknowledged" the PRC position and, in the 1982 agreement, said that it "understands and appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question." But nowhere did the United States ever reach an agreement with Beijing on "peaceful unification."

Clinton's remarks in Beijing and Shanghai were perhaps designed to leave Taiwan with no ambiguity as to the US position that peaceful unification is an acceptable basis for a change in Taiwan's *status quo* and that unilateral moves by Taiwan toward *de jure* independence, including high-profile membership in the intergovernmental organizations, does not square with US policy. In other words, the US under the Clinton administration appears to have shifted from comfort with the *status quo* over Taiwan to supporting a peaceful reunification of the two Chinas. Richard C. Bush, chairman and managing director of American Institute in Taiwan, maintained that the Clinton administration's approach concerning "Taiwan will not change as a result of the Beijing summit. . ."<sup>19</sup>

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17. President Bill Clinton, Remarks in the Discussion on Shaping China for the 21<sup>st</sup> Century, Shanghai, June 30, 1998.

18. President Bill Clinton, Remarks to the Students and Community of Beijing University, June 29, 1998.

19. Dr. Richard C. Bush, Chairman and Managing Director of the American Institute in Taiwan, Remarks at the Conference on "U.S.-Taiwan Relations: Current Issues

However, he did not say why Clinton committed the US to China's unification — something which the US has avoided in the past.

Clinton's remarks may be a straw in the wind. But their impact on Taiwan is obvious. It cooled the pro-independence zeal of the Democratic Progressive Party (DPP), the largest opposition party in Taiwan with a platform calling for the independence of Taiwan. When Clinton's remarks reached Taiwan, the central executive committee of the DPP held an emergency meeting and passed a resolution to the effect that even if the DPP comes to power, it will not declare Taiwan's independence.

Both Beijing and Taipei face growing pressure from the US to settle their political differences peacefully in order to ward off possible military conflicts in the Strait; and both made concessions. Beijing gave up its demand of starting political talks or procedural discussions for such talks. Taipei dropped its insistence that both sides reopen talks on pragmatic issues first and not jump to political talks. Mutual concessions led to the Koo-Wang "meeting" where both sides could exchange views on various issues. Koo's trip marked the highest-level contact between the two sides in nearly five decades. It is significant in two important ways. First, it represented a resumption of high-level contacts for the first time since 1996. Second, it provided an important opportunity for the leaders of the two sides to convey to each other their views on key bilateral issues. Even if it has not brought about any significant breakthrough in cross-Strait relations, increased mutual understanding should be helpful to addressing many basic issues that have separated Taiwan and the Mainland for the last half-century. However, it is unlikely that the Koo-Wang talks will lead to the reunification of China any time soon.

### **Policy Implications for Taipei**

The evolution and transformation of the triangular relations among Taipei, Washington, and Beijing hold several policy implications for Taipei. First, US policy toward Taiwan has been and will be a function of US policy toward the PRC. When the US tried to contain the PRC in the 1950s and 1960s, Washington built a stable marriage with Taipei. But when it regarded the PRC as a strategic asset against the Soviet Union in the 1970s and 1980s, it was willing to sacrifice Taipei to win Beijing's cooperation. As long as the US

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and Developments," Center for Strategic and International Studies, Taipei, May 20, 1998.

attaches great importance to its ties with the PRC, therefore, it is not easy for Taipei to upgrade its relations with Washington. Second, if US-PRC relations take a down turn, especially due to a dispute over Taiwan, and if the US still values Beijing's cooperation, Washington will tend to tilt toward Beijing's position on Taiwan for the sake of reversing the downward spiral of their relations. In this sense, it may be better for Taiwan to avoid being considered the spoilsport of US-PRC relations. Third, when Beijing-Washington relations remain stable, Beijing will tend to take a more flexible attitude toward Taiwan. Thus, it gave up its original demand of starting political talks or procedural discussions for such talks in the 1998 Koo-Wang meeting. It did this perhaps under US pressure or because it wanted to be regarded as a reasonable actor. Finally, the differences between the two sides of the Taiwan Strait are so deep and intractable that enmity between them will remain for the foreseeable future. Meanwhile, neither the US nor the PRC has any intention of seeking confrontation against each other. Therefore, Washington-Beijing-Taipei relations will more likely resemble the romantic triangle with the US as the pivot player. In such a triangle, the US will have no incentive nor necessity for upgrading relations with Taipei.



## Chapter 10

### **PRESIDENT CLINTON'S "THREE NO'S" AND ITS IMPACT ON TAIWAN**

*Ching-chih Chen\**

United States President William Jefferson Clinton made a brief statement about US policy toward Taiwan during his state visit to the People's Republic of China in late June 1998. The statement subsequently caused much anxiety in Taiwan and evoked criticism back in the United States. It was in Shanghai that President Clinton declared, "We don't support independence for Taiwan; or two Chinas, or one Taiwan, one China; and we don't believe that Taiwan should be a member in any organization for which statehood is a requirement." Clinton put these remarks in a formula known in China as the "three no's." Until then, the US officially only "acknowledged the Chinese position that there is but one China and Taiwan is part of China." It had not stated an official US view other than that America wanted Taiwan and China to resolve their differences by peaceful means.

By endorsing the Chinese official position and publicly articulating the "three no's" on Chinese soil, the Clinton Administration has taken away some of the bargaining power that Taiwan needs to negotiate with China. No wonder that concerned Taiwanese thought that Taiwan had been "sold out" again and that Clinton's critics in the United States claimed that the President had "blundered." Was it a calculated statement by Clinton? If so, why and how did his administration arrive at the decision of embracing the Chinese formula? Has the Clinton Administration significantly changed its policy toward Taiwan? Will the future of Taiwan be adversely affected by this change? What is Taiwan's counter strategy? To answer these and other related questions, a brief review of events leading to the Clinton "three no's" statement is called for.

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### **Growing Cross-Strait Hostility as the Background for the "Three No's"**

To Beijing, the Taiwan issue is "the most sensitive and most important core issue" in the relations between the US and China. While expressing its willingness to resolve the issue with Taiwan peacefully, China has never relinquished its "sovereign right" to resort to the use of force if Taiwan, which Beijing has regarded as a renegade province of China, should declare its *de jure* independence. In the spring of 1995 when the Clinton Administration under congressional pressure issued a visa to Taiwan President Lee Teng-hui so that he could visit his *alma mater*, Cornell University, Beijing protested vehemently by recalling its ambassador to Washington and canceling a number of visits of Chinese officials to the United States. In addition, China abruptly halted its on-going dialogue with Taiwan. What was more disturbing however, were the series of provocative live-fire military exercises from June 1995 to March 1996 including the test firing of nuclear-capable missiles within 50 miles of Taiwan's two largest commercial ports. China's saber-rattling was apparently aimed at intimidating Taiwan, discrediting President Lee Teng-hui, and influencing the outcome of the first direct presidential election in March 1996. Meanwhile, U.S. analysts interpreted the Chinese military action as China's sending the US "a signal of how important this [Taiwan issue] was to them."<sup>1</sup> In response to the Chinese threat of force, the Clinton Administration dispatched two aircraft carrier battle groups off the coast of Taiwan as a warning to China of the U.S. determination to live up to its commitment in the defense of Taiwan as specified in the Taiwan Relations Act of 1979.

During the Taiwan Strait crisis, Clinton Administration officials and many in Congress acknowledged that China's strong and harsh response to the visit of President Lee Teng-hui to the US had taken them by surprise and that the US would have to be more careful in dealing with the Taiwan issue in the future.<sup>2</sup> "The United States . . . would be inexorable [sic] drawn into any worsening of the P.R.C.-Taiwan relationship," stated a congressional workshop

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1. Gary Bertsch, Ed., *US Policy Toward China*, Athens: University of Georgia, 1997 Russell Symposium Proceedings, 1997, p. 15.

2. Robert G. Sutter, "China Policy: Crisis over Taiwan, 1995, A Post-Mortem," *Congressional Research Service: Report for Congress*, 95-1173F, Dec. 5, 1995, pp. 10-11.

summary of September 26, 1995.<sup>3</sup> And in his testimony to Congress, the spokesman of the US Defense Intelligence Agency said that "the limits of US support [to Taiwan] may not have been defined with sufficient clarity until the recent [Chinese military] exercise."<sup>4</sup> Key members of America's foreign policy establishment began to urge the Clinton Administration to clarify its policy by ending its "calculated ambiguity" on Taiwan policy.<sup>5</sup>

The Taiwan Strait crisis clearly alarmed the foreign policy establishment in the United States and, thus, stimulated a series of conferences such as the Eighty-ninth American Assembly affiliated with Columbia University and the Third Russell Symposium at the University of Georgia to study US-China relations during and after the Taiwan crisis. A closer look at the American Assembly's Russell Symposium on "China-U.S. Relations in the Twenty-First Century: Fostering Cooperation, Preventing Conflict," November 14-17, 1996 should give us an understanding as to the role played by national leaders and experts in the diplomatic establishment and academic circles in proposing ideas to the Clinton Administration. It is not coincidental that the American Assembly decided in June 1995, a month after Lee Teng-hui's visit and China's harsh reaction to it, to undertake a project on US-China relations.<sup>6</sup> First of all, an Assembly delegation led by Leonard Woodcock, first US ambassador to the PRC, visited China and six of China's neighbors including Taiwan, Japan and South Korea for consultation at the highest level. In each country, the delegation members met the highest officials and a wide range of scholars and experts on the United States. Members of the Assembly delegation included scholars and experts who had prepared papers dealing with various aspects of US-China relations. After their return from the East Asian visit, the delegation members met for two weeks to discuss and substantially rewrite the drafts for use in the expanded meeting of November 14-17, 1996. For four days, sixty-one national leaders and experts met in separate groups to discuss the report of the Assembly's delegation to East Asia as well as the individual papers "to

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3. Larry Nicksch, "U.S. Policy toward the China-Taiwan Relationship, Summary of a CRS Workshop," *Congressional Research Service: Report for Congress*, 95-1002F, Sept. 26, 1995.

4. DIA (Defense Intelligence Agency) Testimony to Senate Select Committee on Intelligence, Nov. 5, 1996.

5. "Win-Win Summit," *Asiaweek*, July 10, 1998.

6. Ezra Vogel, Ed., *Living with China, U.S.-China Relations in the Twenty-first Century*, New York: W.W. Norton & Company, 1997, pp. 9-13.

develop a statement on US long-term national interests concerning China and to make specific policy recommendations” to the Clinton administration.<sup>7</sup> The Assembly’s final report described the issues relating to Taiwan as “the most difficult and potentially explosive in U.S.-China relations. . . . [They] could cause open conflict,” and proposed a list of specific measures:

The United States should continue to stress to the PRC that Asian stability and Sino-American relations are founded on a peaceful approach to the resolution of this issue. The United States should make clear to Taiwan that the United States will oppose unilateral efforts to seek independence, and give high priority to restoring increasingly productive cross-strait relations.

To this end, the United States should adhere to the Shanghai Communiqué, the normalization communiqué, and August 1982 communiqué on arms sales to Taiwan. At the same time, the United States must retain a comprehensive, unofficial relationship with Taiwan as provided by the Taiwan Relations Act. This framework enables Taiwan to sustain democracy, prosperity, and security in an atmosphere free of coercion.<sup>8</sup>

Analyzing the Clinton Administration’s policy of dealing with the Taiwan issue after Lee’s visit, one can see that Clinton and his assistants have followed the American Assembly’s proposals on Taiwan very closely. This is not surprising because the participants included, in addition to well-established China scholars, several former officials of the first Clinton Administration (e.g., Joseph S. Nye, Jr., and Chas W. Freeman, Jr.) as well as others (e.g., Kenneth Lieberthal and Stanley Roth) who are currently serving in the second Clinton Administration.<sup>9</sup>

In any case, to avoid another confrontation with China like the Lee visit, the general consensus of the experts and scholars was that “US policy should not forthrightly challenge China’s position on the sovereignty issue related to Taiwan.”<sup>10</sup> Boosted by the near consensus of the diplomatic establishment, the Clinton Administration decided that to improve relations with Beijing the US had ac-

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7. The Assembly’s final report is to be found in Vogel, *Living with China*, pp. 295-309.

8. Vogel, *Living with China*, pp. 301-302.

9. For a list of the participants, see Vogel, *Living with China*, pp. 310-314.

10. Nicksch, “U.S. Policy,” p. 5.

tively to work to implement its "comprehensive engagement" policy. This ultimately led to the two Clinton-Jiang summit meetings October 1997 and June 1998.

Two participants of the American Assembly conference were former Clinton Assistant Secretaries of Defense, Joseph S. Nye, Jr. and Chas. W. Freeman, Jr. Presumably to win public support for some of the measures proposed by the American Assembly, they wrote in the *Washington Post* and *Foreign Affairs* respectively identifying Taiwan's "steps toward independence" as the primary threat to peace and stability in cross-Straits relations and US-China relations. Both of them contended that the United States should "restrain" or discourage decisions and actions by Taiwan that could leave China with little choice but to resort to the use of military force.<sup>11</sup> Several prominent former senior officials, including former Secretary of Defense William Perry, who had participated in the Russell Symposium publically urged that Taiwan not be given a "blank check" and not be given the impression that "no matter what they do they will have US support."<sup>12</sup>

In the meantime, according to a Defense Intelligence Agency testimony, "Chinese officials have cited a long list of US actions that, they claim, have aided and abetted the promotion of Taiwanese independence. The most significant of these are the 1992 sale of F-16 aircraft to Taiwan and the granting in May 1995 of a visa to Li Teng-hui. . . ."<sup>13</sup> The Chinese have subsequently drawn up a lengthy list of measures they would like the United States to adopt on the Taiwan issue. "These include most notably, some kind of moratorium on American arms sales to Taiwan, particularly with regard to theater missile defenses, or some type of reassurance that Taiwan lies outside the geographic scope of the U.S.-Japan Mutual Security Treaty."<sup>14</sup>

This atmosphere pushed the Clinton Administration toward the "three no's" policy. The "one China" policy is the essence of the three communiqués between the US and the PRC wherein the

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11. Joseph S. Nye, Jr., "A Taiwan Deal," *Washington Post*, March 8, 1998; Chas. W. Freeman, Jr., "Preventing War in the Taiwan Strait," 77 *Foreign Affairs* (July/August 1998), pp. 6-11.

12. Former Secretary of Defense William Perry, former National Security Advisor Brent Scowcroft and former Senator Sam Nunn all had stressed this point at the Russell Symposium (See Bertsch, *US Policy*). For an example of China experts who shared the same view, see Harry Harding, "The Clinton-Jiang Summit: An American Perspective," Asia Society Hong Kong Center, May 28, 1998.

13. DIA Testimony. See also Harding, "The Clinton-Jiang Summit."

14. Harding, "The Clinton-Jiang Summit."

US acknowledges the Chinese position that there is only one China and that the People's Republic of China is the legitimate government of China. In its 1994 Taiwan Policy Review, the Clinton Administration declared to Congress as a matter of policy that the United States would not support Taiwan's membership in state-based international organizations. After the Taiwan Strait crisis of 1996, "the U.S. clarified its 'one China' policy to mean no independence for Taiwan but no forcible reunification with the P.R.C. either."<sup>15</sup> In spite of the fact that by late 1996 all elements of the "three no's" policy had been accepted by the Clinton Administration, it was not officially announced by the Clinton Administration until late 1997.<sup>16</sup>

The Chinese negotiators had been pressing the US for a new communiqué to spell out US opposition to any independence movement on Taiwan, as well as Taiwan's bid for membership in the United Nations, and to renounce any support for "two Chinas" or "one China, one Taiwan." Though they were unable to get US agreement to a new communiqué, they did succeed in winning a concession from Clinton for a verbal statement on the issue of the "three no's."<sup>17</sup> On June 26, 1998, the day of the summit meeting between Clinton and Jiang Zemin in Beijing, National Security Adviser Sandy Berger briefed the Press, saying: "we don't support independence for Taiwan, or one China, one Taiwan, or Taiwan's membership in organizations that require statehood." He ducked a

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15. Harvey Sicherman, "Clinton's Many Chinas," *Global Beat*, July 7, 1998. As far back as July 1971 Henry Kissinger, President Nixon's national security adviser, had secretly pledged to Chinese Prime Minister Chou En-lai that the US would not support independence for Taiwan; and in February 1972, President Nixon assured the Chinese leaders that there would be no US support for Taiwan independence. (See James Mann, *About Face, A History of America's Curious Relationship with China, From Nixon to Clinton*, New York: Alfred A. Knopf, 1999, pp. 33 & 46.

16. On October 1, 1997, State Department spokesman James Rubin verbally presented the "three no's" policy. (See Harding, "The Clinton-Jiang Summit.") Then On May 20, 1998, Deputy Assistant Secretary of State Susan L. Shirk stated in testimony to the House International Relations Committee, "We will continue to pursue 'one China' policy. Consistent with this policy, we do not support 'two Chinas' or 'one China, one Taiwan,' Taiwan independence, or Taiwan's membership in the U.N." (Testimony by East Asian and Pacific Bureau Deputy Assistant Secretary Susan L. Shirk before the House International Relations Committee, May 20, 1998).

17. At his May 23, 1998 press conference in Beijing, Chinese Foreign Minister Tang Jiaxiang said that while in China President Clinton should explain his pledge of support for the "one China" policy in the "three no's" formula at an appropriate occasion. (*St. Louis Chinese Journal* (in Chinese), June 25, 1998, p. 3.

question on whether the President had said that to President Jiang.<sup>18</sup>

President Clinton had an opportunity to do so either at the Clinton-Jiang joint press conference in Beijing or at Beijing University where he gave an address to students and faculty on June 26. Both occasions were formal and televised. Probably not wishing to call too much attention to his planned remark, he waited until after he had departed from Beijing. Therefore, responding to a question at a round table discussion in Shanghai on June 30, Clinton finally and carefully spelled out the US policy toward Taiwan in the "three no's" fashion. The *Los Angeles Times* reported that US officials and Chinese participants twice rehearsed the round table discussion and that Taiwanese officials had been "braced" the previous day for what was to come.<sup>19</sup> In this context, Clinton stated the "three no's," thus satisfying what was considered a key Chinese demand.<sup>20</sup> Critics wondered if endorsing the "three no's" policy publically while on the Chinese soil was the hidden price paid by the president for his free air time in China. Whatever the answer, the Taiwanese were deeply disturbed and began to fear the possibility of greater US restrictions on "defensive" arms —China's next target.<sup>21</sup>

### Consequences of the Three No's

What are the consequences of President Clinton's tilt toward China on the Taiwan issue? First, Clinton's remark caused consternation in the US Congress. Even before Clinton's arrival back in Washington, D.C., Taiwan's supporters in Congress had already begun working to offset Clinton's concession on the Taiwan issue to Beijing. On July 10, the Senate approved a resolution reaffirming US commitment to support Taiwan as stated in the 1979 Taiwan Relations Act by a 92-0 unanimous vote. Ten days later, the House of Representatives followed suit by passing a virtually identical resolution with a vote of 390-1. Although expressing only the "sense of Congress," these resolutions, nevertheless, demonstrated very strong Congressional supports for Taiwan.

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18. Richard Halloran, "Clinton's Turnaround on Taipei Policy," *Global Beat*, Issue Brief No. 40, July 14, 1998; Ajay Singh and Lawrence Eaton, "Frayed Nerves in Taiwan: Despite Promises, Taipei Fears a U.S. Shift," *Asiaweek*, July 10, 1998.

19. *China Reform Monitor*, No. 93, July 7, 1998. *China Reform Monitor*, No. 93, July 7, 1998.

20. Sicherman, "Clinton's Many Chinas;" *China Reform Monitor*.

21. Sicherman, "Clinton's Many Chinas."

Even President Clinton did not dissent from this outpouring of support for Taiwan. After his visit to China, Clinton reaffirmed in various ways that US policy toward Taiwan remained unchanged. In a letter to US Senator Robert G. Torricelli dated August 18, 1998, the president indicated that his administration supported the Senate Resolution passed in early August reaffirming the US commitment to the Taiwan Relations Act and calling on the PRC to renounce the use of force against Taiwan. He further promised, "I will continue to develop our strong unofficial relations with Taiwan and to assure Taiwan is provided the defensive weapons necessary for it to maintain a sufficient self-defense capability."<sup>22</sup> Then in early November, Clinton sent Energy Secretary William Richardson to Taipei bearing his personal letter to President Lee Teng-hui. The Clinton letter essentially reiterated US support for Taiwan.<sup>23</sup> In addition, President Clinton has continued to rely on William Perry in an unofficial capacity to consult with and to communicate ideas to Beijing and Taipei.<sup>24</sup> More substantially, in late October 1998 the US handed over 103 of the 150 F-16 fighters that President George Bush approved the sale to Taiwan in 1992 despite Beijing's protest. And currently the US administration is considering the sale of four Aegis destroyers that are designed to track and attack enemy aircraft and ships and the inclusion of Taiwan in the proposed East Asian Theater Missile Defense System.<sup>25</sup> While Taipei welcomed these words and deeds of President Clinton after the Clinton-Jiang summit, it clearly felt betrayed and at a growing disadvantage in dealing with China.

Certainly, Clinton's "three no's" have created greater difficulty for Taipei in negotiating with Beijing because the Chinese believe that Beijing has gained the upper hand over Taiwan.<sup>26</sup> Indeed, almost immediately after Clinton's remark, the Chinese Foreign Ministry urged Taiwan to "face reality" and submit to holding talks on eventual reunification with China. In addition, now that the United States has embraced the "three no's," Beijing's diplomats have begun pressuring major countries such as Japan to follow suit.<sup>27</sup> Bei-

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22. Taiwan Security Research, "Clinton Reaffirms Commitment to Taiwan," *Central News Agency*, August 26, 1998.

23. Jessie Cheng, "Visiting Official Reiterates US Support for Taiwan's WTO Bid," *Free China Journal*, Nov. 14, 1998, p. 3.

24. *The Economist*, March 27, 1999, p. 44; *Shih-chieh jih-pao*, March 8, 1999, p. A1.

25. John Pomfret, "Taiwan Seeks U.S. Destroyers," *Washington Post*, December 2, 1998, p. A37.

26. Halloran, "Clinton's Turnaround."

27. *Free China Journal*, August 14, 1998, p. 1.



jing even demanded that the Dalai Lama must recognize formally that "Tibet is an inalienable part of China, that Taiwan is a province and the government of the People's Republic of China is the sole government representing the whole China" before Beijing would open a dialogue with him.<sup>28</sup>

The policy of the US since 1972 has been that Taiwan and China should resolve their differences through peaceful means. Therefore, after the Taiwan Strait Crisis of 1995-96, the US pressured Taiwan and urged the PRC to resume the dialogue that was discontinued in the aftermath of Lee Teng-hui's visit to the US. By late 1996, both Taipei and Beijing had begun to express their willingness to resume talks. However, they both wanted to resume the talks on their own terms. Beijing said that it was ready for talks at any time, provided Taipei was willing to agree to its version of "one China" policy—that China's capital is Beijing and that Taiwan is no more than a province of China. Furthermore, the talks should focus on political issues and outline a process to reunification. The Taiwan government, on the other hand, said that it hoped to see a reconstituted China in the future when there is democracy, freedom and equitable prosperity in the PRC. The present reality, however, was the existence of two governments with equal claim to international legitimacy. Nevertheless, said Taipei, it was prepared to meet at any time to discuss practical, but not political, matters.

After the reversion of Hong Kong to China on July 1, 1997, Beijing escalated its effort to lure Taiwan to reunify with China by saying that under the "one China, two systems" formula, "the degree of autonomy enjoyed in Taiwan will be even greater than that enjoyed in Hong Kong."<sup>29</sup> Eager to have Taiwan back at the negotiation table, Beijing announced on January 20, 1998 that China was ready to begin talks with Taiwan without any preconditions. Analysts of different political inclinations have offered different explanations for Beijing's readiness to restart the cross-strait talk.<sup>30</sup> Chinese scholars suggest that "stable Sino-American relations provide a healthy and stable framework so that cross-Straits relations can proceed." Taiwanese observers, however, believe that the pri-

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28. "Dalai Lama, Heading for U.S. May Be Willing to Open Dialogue with China," *New York Times*, November 4, 1998.

29. Julian Baum and Susan V. Lawrence, "Breaking the Ice," *Far Eastern Economic Review*, Oct 1998, p. 25.

30. Baum and Lawrence, "Breaking the Ice;" Todd Crowell and David Hsieh, "Tough Talk in China; In a Landmark Mainland Trip, an Envoy from Taiwan Expands a Dialogue between Old Foes," *Asiaweek*, Oct 30, 1998.

mary reason for China's softening of attitude is the prospect of the rapid rise of the pro-independence Democratic Progressive Party's influence in Taiwan's politics over the next few years. The victory of the DPP in Taiwan's county magistrate elections of November 1997, in particular, shocked the Chinese leadership and led to a reassessment of China's policy toward Taiwan. Finally, opinion polls in Taiwan have shown that not only is there little support for unification with China but that there is a steady rise in support of outright independence. "They (the Chinese leadership) see time is running out," says Liang Su-yung, leader of a pro-unification group in Taiwan.

Beginning in late 1997, a steady stream of Americans, who had recently served in senior government posts, traveled to Taiwan to urge Taiwan to restart talks with China. Among them were former Defense Secretary William Perry, former Assistant Defense Secretary Joseph Nye, and former National Security Adviser Anthony Lake.<sup>31</sup> Having strongly advised President Clinton on the dispatching of two aircraft carrier battle groups to the sea near Taiwan in March 1996, former Defense Secretary Perry was clearly the ideal messenger. He was believed to have warned Taipei that the U.S. would not come to the aid of Taiwan if the island declared *de jure* independence and thus provoked China to resort to the use of force.<sup>32</sup>

By October 1998, Taipei and Beijing had agreed to resume the dialogue that had been halted in May 1995. The Taiwan negotiation team headed by Koo Chen-fu was invited to meet the Chinese team headed by Wang Daohan in Shanghai on October 14. Then as a sign of the importance given to the talks, President Jiang Zemin met with Koo in Beijing. The two sides reiterated their profoundly different visions about Taiwan's political status. Koo argued that Taiwan is a sovereign state and will not accept a lesser status, while the Chinese insisted that Taiwan is a part of China with no right to sovereignty. As for the prospect of unification, Taiwan will only consider unification with China when the latter is democratized.<sup>33</sup> The only major substantive result of the meeting, consequently, was the agreement to resume the dialogue on a regular basis. This was, nevertheless, a step away from the confrontation of the previous

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31. Steven Mufson, "Taiwan to Send Envoys to China," *Washington Post*, March 6, 1998, p. A31.

32. Perry argued at the Russell Symposium that Taiwan should be informed of limits of US support if it should "provoke" China's attack (See Bertsch, *US Policy*).

33. *New York Times*, Oct. 19, 1998, p. 15.

two years. Each side got some of what it wanted. For the first time in these meetings, Taiwan conceded that the dialogue would be "on various topics, including political and economic issues," while China agreed to the importance of dealing with such practical issues as "safety, property and the protection of residents in each other's territory."<sup>34</sup>

In spite of the resumption of the dialogue, the diplomatic war across the Taiwan Strait has gone on uninterrupted. Continuing its diplomatic blockade against Taiwan that began in 1979 when the U.S. switched recognition from Taiwan to China, Beijing clearly continued to press even harder to isolate Taiwan further diplomatically. Beijing has recently laid down and circulated internally its "fundamental guidelines for dealing with the Taiwan issue in international affairs." The "guidelines" clarify that countries recognizing diplomatically the PRC may only have "private trade and cultural relations" with Taiwan; that China resolutely opposes arms sales to Taiwan by these countries; that these countries should have Beijing's approval before they establish direct air flights to Taiwan; and that China will accept Taiwan's admission into non-state-based international organizations only if it joins under such names as "Taiwan, China" or "Chinese Taipei."<sup>35</sup>

Within a week after the conclusion of the cross-Strait meeting, Beijing made public the fact that it had wrested Tonga away from Taiwan and thus reduced the number of countries recognizing Taiwan to 26. More importantly, the Chinese continued their intensive effort to secure from various countries their expressed support of China's position on the Taiwan issue. For example, they easily won Russia's agreement not to sell arms to Taiwan as well as its support for the "one China" policy. Pakistan and Bangladesh are said to have supported "China's position on human rights and Taiwan."<sup>36</sup> Beijing's major attempt, however, was to pressure Japan to commit to the "three no's" policy, as U.S. President Clinton had done in China. Unfortunately for Beijing, during the state visit of Jiang Zemin to Japan in late November 1998, Japanese Prime Minister Obuchi Keizo refused to follow Clinton's lead and merely recited the content of a 1972 statement that pledged to "respect" China's interpretation of the "one China" policy. Tokyo also steadfastly re-

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34. Harvey J. Feldman, "America's Response to the China-Taiwan Talks: Encourage but Don't Interfere," Heritage Foundation Asian Studies Center, Oct. 28, 1998.

35. *Shih-chieh jih-pao*, Oct. 27, 1998, p. 2.

36. "Pakistan Praises 'Strongest Ally,'" *South China Morning Post*, April 10, 1999; "Bangladesh Thanked for Friendship," *South China Morning Post*, April 13, 1999.

fused to meet the Chinese demand for Japan's pledge not to support any future US military activities around Taiwan as Tokyo might be required in the 1997 updated guidelines on US-Japan defense cooperation.<sup>37</sup> In short, Japan gave less ground on the Taiwan issue than did President Clinton. Due to their strong ties with Taiwan in the past, many senior members of Japan's ruling Liberal Democratic Party hold pro-Taiwan views; and public opinion polls reveal a Japanese public who admires Taiwan's democratic transformation and impressive economic development and who hopes that Taiwan can remain, in effect, independent.<sup>38</sup> It is also quite likely that after having been shocked in August 1998 by North Korea's test-fired missiles flying over Japan, the Japanese appear to have empathy for the people of Taiwan. Finally, most Japanese regard China as Japan's major rival in Asia and see the major threat to peace and stability in East Asia in the long run as coming from China.<sup>39</sup>

For Taipei, the diplomatic battle for Taiwan's survival has to be carried on. Immediately after the end of the Koo-Wang meeting, Taipei dispatched a number of officials to the United States and Japan to explain Taiwan's position regarding the resumed cross-strait dialogue and, more importantly, the Taiwan issue. This was essentially a public relations effort designed to win international support for Taiwan, particularly from the United States and Japan. Taiwanese officials said their government is determined to do what it could to preserve Taiwan's official standing with the small number of countries that now recognize it, while building by increments closer unofficial and, if possible, official ties with other countries and international organizations. Taiwan is essentially implementing its "pragmatic diplomacy" or "substantive diplomacy." According to Vice Foreign Minister David Lee, "our government will continue high-level visits to exchange views with foreign leaders and high officials raising our international visibility and combating China's plot to isolate us."<sup>40</sup> Taiwan is making a great effort to join such international organizations as the World

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37. Kevin Sullivan, "Japan's War Apology Disappoints China," *Washington Post*, Nov. 27, 1998, p. A1.

38. Donald W. Klein, "Japan and Europe in Chinese Foreign Relations," in Samuel S. Kim, Ed., *China and the World*, 4th Ed. (Boulder, CO: Westview Press, 1998) pp. 133-150, especially pp. 143-144.

39. Nicholas D. Kristof, "Burying the Past: War Guilt Haunts Japan," *New York Times*, Nov. 23, 1998; Michael Laris, "An Apology in Fear," *Washington Post*, Nov. 25, 1998, p. A14.

40. "Taiwan Calls for Closer Ties," *Washington Post*, Nov. 2, 1998.

Heath Organization and the World Trade Organization. And Taipei can claim a sort of diplomatic victory after having won the diplomatic recognition from the Marshall Islands in late 1998 and Macedonia in early 1999.

### **New Policies For Taiwan**

Taiwan clearly fears that in the long term China will gain leverage over Washington's treatment of Taiwan. After all, the US-Taiwan-China triangular relationship is far from being a symmetrical and static one. The US is, without doubt, the dominant player in this dynamic relationship. History has shown that the ties between the US and China have become closer since 1972 in spite of periods of difficulty. The US-China relationship is founded on strategic considerations of national interests and, thus, is oriented toward the present and the immediate future. In reality, the US does need China's cooperation for resolving global problems (such as nuclear proliferation) and Asia's regional security issues (such as the intransigence of North Korea). In contrast, Taiwan's relations with the US are based more on shared democratic values and past ties. Besides being an exemplary economic and inspirational democratic model for the developing countries, there is little that Taiwan can offer the US. And what can Taiwan do if it is "sold out" again? US analysts have correctly noted that whenever the US makes a Taiwan-related concession to China, "Taiwan is powerless to exact a price or penalize" Washington.<sup>41</sup>

Taiwan must not take anything, including the pledge of US commitment to support Taiwan as specified in the Taiwan Relations Act, for granted. Instead, Taiwan has to wage an active campaign of public relations in seeking to further internationalize the Taiwan issue and to break out of the diplomatic isolation imposed by Beijing. It is abundantly clear that Taiwan cannot match China which is a nuclear power, home to one-fifth of the world's people, a permanent member of the UN Security Council, and one of the world's fastest-growing economies. Taiwan, however, is free, democratic and prosperous. Its economy and democracy are big pluses for Taiwan. Taipei has to make use of the power of the media to publicize Taiwan's economic achievements and democratic miracle. "A Survey of Taiwan" in the November 7, 1998 issue of the *Economist* and

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41. Niksch, "U.S. Policy;" Ted Galen Carpenter, "Roiling Asia, U.S. Coziness with China Upsets the Neighbors," *Foreign Affairs* 77 (November/December 1998) pp. 2-6, esp. 3-4.

the November 30, 1998 PBS program "Tug of War: The Story of Taiwan" are excellent examples of how the case of Taiwan can be widely and effectively publicized. More can and should be done to better inform Americans and people in other democratic countries about Taiwan and its people. An idea that is worthy of consideration is the inclusion in the Taiwan school curriculum of a segment on liberal values of freedom, democracy, self-determination, the sacredness of human life, human rights and the rule of law. Ideas and writings of prominent democratic thinkers such as Thomas Jefferson's Declaration of Independence, for example, deserve inclusion. Not only will this liberal emphasis instill democratic ideas in the minds and hearts of the Taiwanese youths but also effectively demonstrate to the people of the world that Taiwan, indeed, has made its choice for openness and democracy and, consequently, cannot be a part of an unfree and undemocratic China. Westerners, particularly Americans, should understand that the United States has encouraged and aided the democratic transformation of Taiwan and that the Taiwanese aspiration to be the master of their own destiny is a logical and irreversible outcome of the positive American influence. In essence, the people of Taiwan are struggling for their "Life, Liberty" and are "in the pursuit of Happiness." In this struggle, Taiwan is a David confronting Goliath. And, Beijing is not unaware of the fact that the American public and Congress greatly favor democratic Taiwan over the authoritarian and undemocratic People's Republic of China. The Chinese leaders should, therefore, realize the inevitability of international condemnation and even international trade sanctions if Beijing should resort to the use of force to resolve China's differences with Taiwan. Whatever the outcome of the use of military force against Taiwan if this should unfortunately happen, it surly will do irreparable damage to China, both politically and economically.

Taiwan must also intensify its efforts at lobbying the US administration and Congress. The island is already known for its "intricate network of supporters that has made Taiwan one of the most effective lobbies in Washington."<sup>42</sup> Since Lee Teng-hui's visit to the U.S. in May 1995, China, however, has beefed up its lobbying efforts. Moreover, Beijing has always enjoyed the invaluable support of some former high-ranking US officials, including former Secre-

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42. Lawrence Zuckerman, "Taiwan Keeps a Step Ahead of China in U.S. Lobbying," *New York Times*, March 14, 1997; Michael Weisskopf and Keith B. Richburg, "Taiwan, in Courting U. S. Officials, Reflects Yearning for Recognition," *Washington Post*, Nov. 12, 1996, p. A6.

taries of State Henry Kissinger, Alexander Haig and Lawrence Eagleburger, acting as Beijing's unofficial lobbyists.<sup>43</sup> Taiwan, therefore, has to do more than in the past. For one thing, there must be better cooperation between the Taipei government and Taiwanese American organizations, particularly the Formosan Association for Public Affairs which "has lobbied hard in the U.S. Congress."<sup>44</sup>

Since President Clinton's June 1998 visit to China, Taiwan has made considerable gains in securing additional congressional support. Ironically, China has done much on its own to contribute to the deterioration of its relations with the US and thus unwittingly aided Taiwan. China's continuing violation of human rights, trade disputes with the US, reported stealing of US nuclear weapons secrets, and building up a missile capability against Taiwan have alienated Congress and the American public. The Pentagon report on China's missile build-up against Taiwan has particularly alarmed Congress.<sup>45</sup> Legislators friendly to Taiwan have called for the extension of the proposed East Asian Theater Missile Defense system to Taiwan. Moreover, Senators Jesse Helms and Robert G. Torricelli have introduced the Taiwan Security Enhancement Act to force the White House to boost arms sales to Taiwan.<sup>46</sup> The proposed legislation aims at redressing the balance in favor of Taiwan. One of its measures is to authorize the sale of a broad array of defense articles such as missile defense equipment, sophisticated air-to-air missiles, air defense systems, and submarines and anti-submarine warfare technology. The bill also proposed an official program of military exchanges and joint training exercises with Taiwan. There appears to be considerable bipartisan support for the bill and its passage would be considered as a way of celebrating the Taiwan Relations Act's 20th anniversary.<sup>47</sup> It is very unlikely that the Clinton Administration would allow the proposed bill to pass without a fight, though. On the other hand, it is certain that the sale of at least some of these defense articles will be approved not only because of the Taiwan Relations Act but also because the sale will be in the US national interests in maintaining peace and stability in the Asia-Pacific region.

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43. Zuckerman, "Taiwan Keeps a Step Ahead".

44. Niksch, "U.S. Policy."

45. "GOP Lawmakers Urge Taiwan Ties," *New York Times*, April 14, 1999.

46. Taiwan Security Enhancement Act (S.693), March 24, 1999.

47. "House Passes Resolution Reaffirming U.S. Commitment To Taiwan," *U.S. Congressional Action*, March 23, 1999.

The people of Taiwan, however, should not and must not expect that the United States will risk Americans lives in support of Taiwan. Instead, Taiwan must put more faith in a strong defense than in international moral support. As long as Beijing refuses to renounce its so-called "sovereign right" to use military force against Taiwan, the government of Taiwan must continue to build and update its self-defense capability. Taipei must seek to ensure Taiwan's inclusion in the Theater Missile Defense system that the U.S. is developing and extending to cover both Japan and South Korea. A functioning TMD umbrella installed by the US in East Asia could vastly reduce the threat of a Chinese missile attack on Taiwan. Should the US be unprepared to include Taiwan in the TMD system because of Chinese objections, the leadership of Taiwan may have to consider the "unthinkable." It is only sensible that Taiwan try to obtain what Beijing will ultimately respect. Beijing certainly was not too pleased with India's successful nuclear tests in May 1998 and is alarmed by the successful testing of an intermediate-range missile that traveled over 1250 miles on April 11, 1999.<sup>48</sup> China and India have not been friendly toward each other since the Sino-Indian War of 1962. More importantly, India believes that China poses a greater long-term threat than does Pakistan; and it is mainly for this reason that India has made the decision to become a nuclear power.<sup>49</sup> With India's becoming a nuclear power on China's southern flank, "China could be pulled away from focusing on Taiwan and forced into confronting two potential conflicts at once."<sup>50</sup> Moreover, Beijing appears to be apprehensive about Taiwan's capability for producing nuclear arms.<sup>51</sup> Thus, there is good reason for Taiwan to develop nuclear weapons as a deterrent to ensure that it is not subjected to China's missile coercion.

Finally, in addition to diplomacy and defense, Taiwan has to engage Beijing through dialogue —the "three ds" strategy, if you will. When Taiwan has gained a reasonable degree of international acceptance, official as well as unofficial, and sufficient military de-

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48. John F. Burns, "India Carries Out Nuclear Test in Defiance of International Treaty," *New York Times*, May 12, 1998; Jaswant Singh, "Against Nuclear Apartheid: India's Case for Nukes," 77 *Foreign Affairs* (September/October 1998), pp. 41-52.

49. Burns, "India;" Manik Mehta, "India Good Will for Taiwan Can Yield Two-Way Benefits," *Free China Journal*, March 12, 1999, p. 6.

50. *Washington Post*, August 19, 1998, p. 23.

51. Myra Wu, "Peking Claim of Nuclear Pact Denied," *Free China Journal*, Nov. 14, 1998, p. 2; "Taipei Pingjiang mimi chun-shih ch'ing-pao wai-chiao" [Secret military, intelligence and diplomatic relations between Taipei and Pyongyang], *Ya-chou chou-pao*, January 4-10, 1999, pp. 42-45, especially, pp. 43 & 45.



fense capability, it can then hopefully expect a reasonable chance of winning from Beijing an agreement acceptable to the people of Taiwan. Unlike Hong Kong, Taiwan is a free, democratic and independent country and not a colony. Beijing's offer of a deal better than that for Hong Kong simply does not impress the people of Taiwan. What would be an acceptable outcome for Taiwan then? Recently, a consensus has been reached in Taiwan regarding the island's political status. This is demonstrated by the widespread acceptance of the argument that Taiwan Envoy Koo Chen-fu made in China during his October 1998 visit to China. The argument is essentially one that President Lee Teng-hui has advocated lately. Simply put, Lee has repeatedly stated that the Republic of China on Taiwan is sovereign and independent. And until China is democratized, Taiwan will not consider unification with China.<sup>52</sup> The view of Lee Teng-hui, who has an uncanny ability to read and interpret public sentiment, is representative of the great majority of the people of Taiwan.<sup>53</sup> Shouldn't Beijing leadership respect the growing determination of the people of Taiwan to be the master of their own destiny?

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52. Keith B. Richburg, "Leader Asserts Taiwan Is 'Independent, Sovereign,'" *Washington Post*, Nov. 8, 1997, p. A1; *Taiwan Communiqué*, No. 78, December 1997; Nicholas D. Kristof, "Taiwan President Rejects Idea of China Ties," *New York Times*, Sept. 1, 1998.

53. Recent opinion polls have consistently reflected this consensus. *Hong-kuan-pao*, April 1, 1999, p. 3.



## Chapter 11

### CHINA'S POLICY TOWARD TAIPEI AND WASHINGTON

*Jian Chen\**

In the past half century, the Taiwan issue has been the single most important factor causing tension, or even confrontation, in Beijing's relations with Washington. During the Cold War era, Taiwan was a "hot spot" in the overall confrontation between Mainland China and the United States in the 1950s and 1960s. In 1954 and 1958, the crisis situation emerging in the Taiwan Strait twice brought Beijing and Washington to the verge of direct military confrontation.<sup>1</sup> After President Richard Nixon's visit to China in 1972, Beijing and Washington, taking the Soviet threat as an overriding concern, established a strategic partnership.<sup>2</sup> Yet differences on the Taiwan issue continued to set off frequent diplomatic disputes between Beijing and Washington. On the one hand, Beijing insisted that Taiwan was part of the People's Republic of China and refused to abandon using military means as a possible way to solve the Taiwan issue. On the other hand, Washington, while acknowledging that the Taiwan issue should be settled by the Chinese people living on both sides of the Taiwan Strait, argued for solving the Taiwan issue peacefully. Mainly because of their differences on Taiwan, Beijing and Washington did not establish formal diplomatic relations until 1979. Since its passage in 1979, America's "Taiwan Rela-

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1. Gordon H. Chang and He Di, "The Absence of War in the U.S.-China Confrontation over Quemoy and Matsu in 1954-1955: Contingency, Luck, Deterrence?" *American Historical Review* 98 (December 1993), pp. 1500-1524; "Mao Zedong's Handling of the Taiwan Strait Crisis of 1958: Chinese Recollections and Documents," pp. 208-227 in Li Xiaobing, Chen Jian, and David L. Wilson, Eds., *Cold War International History Project Bulletin* (Winter 1995-1996).

2. William Burr, Ed., *The Kissinger Transcripts: The Top Secret Talks with Beijing and Moscow*, New York: The New Press, 1999; "All Under Heaven is Great Chaos: Beijing, The Soviet Border Clashes, and the Turn Toward the Sino-American *Rapprochement*," in Chen Jian and David L. Wilson, Eds., *Cold War International History Project Bulletin* (Winter 1998-1999), pp. 155-175.

tions Act" has constantly become the target of Beijing's angry criticism.<sup>3</sup>

Entering the 1990s, the end of the Cold War completely transformed the foundation of Mainland China-U.S. relations. While the collapse of the Soviet Union deprived Beijing of a crucial strategic bargaining chip in dealing with Washington, the Tiananmen bloodshed of 1989 caused the American public and Congress to perceive Beijing's behavior in overwhelmingly negative ways. In the meantime, Taiwan has made steady progress in promoting political democratization, turning the American image of Taiwan increasingly more positive. All of this presents serious challenges to Beijing's Taiwan policy in the post-Cold War era, especially when Beijing's leaders stubbornly tried to stick to their version of a "one China" solution to the Taiwan issue.<sup>4</sup>

The challenges facing Beijing peaked in 1995-1996. In June 1995, President Lee Teng-hui, in a crucial step in carrying out the well-calculated "pragmatic diplomacy," unofficially visited the United States in the capacity as a Cornell University alumnus. Beijing's response was fierce.<sup>5</sup> Beginning in July 1995, Beijing conducted several rounds of missile tests and military excises to demonstrate its determination to "safeguard Chinese sovereignty and territorial integrity." From March 8 to 25, 1996, on the eve of Taiwan's May 1996 presidential election, Beijing again waged armed missile tests aimed at areas off two of Taiwan's main sea-ports, Kaohsiung and Keelung.<sup>6</sup> Washington responded by dispatching two aircraft carrier battle groups to the Taiwan area.<sup>7</sup> All of this caused the most serious potential crisis in U.S.-mainland China relations in the 1990s.<sup>8</sup>

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3. Robert S. Ross, *Negotiating Cooperation: The United States and China, 1969-1989*, Stanford: Stanford University Press, 1995, especially Chapter 6; Su Ge, *Meiguo duihua zhengce yu Taiwan wenti* [America's Taiwan Policy and the Taiwan Issue], Beijing: Shijie zhishi, 1998, especially Chapters 10-14.

4. Beijing's policy toward Taiwan has undergone major change since the late 1970s, in particular the "one China, two systems" notion has replaced the previous slogan of "we must liberate Taiwan."

5. Statements by the Foreign Affairs Committee of the Chinese People's Congress and the Foreign Affairs Committee of the Chinese People's Consultative Committee, *Renmin ribao* [People's Daily], May 24, 1995.

6. *Renmin ribao*, March 7, 1996; Hungdah Chiu, "Recent Cross-Strait Relations and the United States," *Issues and Studies* 32 (December 1996), especially p. 11.

7. *United States Information Agency Bulletin*, March 12, 1996.

8. While the Taiwan Strait Crisis was clearly serious, its importance should not be overstated. After all, unlike the crises in 1954 and 1958, it only involved "empty shell-ing on empty targets."

Many observers in the West, as well as in Taiwan, have attributed Beijing's militant policy toward Taiwan to its leaders' fear of Taiwan's democratic development. They argue that Beijing's demonstration of military muscle was designed to influence Taiwan's electoral processes, to hinder its democratic development, and to isolate its democratic experience from the people on the Mainland. Since it is obvious that Beijing's missile tests achieved none of these perceived aims, they conclude that Beijing's militant policy toward Taiwan in 1995-1996 was a complete failure.<sup>9</sup> However, this interpretation overlooks two of the most important elements underlying Beijing's Taiwan policy in general and its "missile diplomacy" in particular. First, the central issue determining Beijing's attitude toward Taiwan was not fear of democracy but rather its perception that China's territorial integrity and sovereignty were at risk. Second, it was Washington, rather than Taipei, which was the primary target to which Beijing meant to send a series of crucial messages by conducting the missile tests.

To make the first point, it is essential to refer to the profound legitimacy crisis that the Chinese Communist regime has been experiencing during the post-Mao era. Ironically, Beijing's seemingly militant attitude toward Taiwan in the 1996 missile crisis was not an indication of strength, but rather a revelation of a deep-rooted sense of weakness. Viewed from a historical perspective, the Chinese Communist Party (CCP) has justified its one-party reign by emphasizing two of the Communist revolution's fundamental missions: to create a new, communist society characterized by "universal justice and equality" and to end China's status as a weak country and revive its central position on the world scene. Despite all the difficulties Mao Zedong encountered, he never ceased to embrace the revolution's first mission. In retrospect his "continuous revolution," while failing to end political privileges in Chinese society, succeeded in creating an egalitarian situation (though at a low standard of living) in China's economic life. Deng Xiaoping's reform and opening policy, in challenging the economic poverty left over from Mao, has created profound new divisions between the rich and poor, thus undermining the Maoist egalitarianism both as an ideal and as a social reality. The Chinese Communist Party, as MIT-based political scientist Thomas J. Christensen points out, "has all but obliterated the second of the two adjectives in its

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9. Jim Hoagland, "What Bothers Beijing is Taiwan's Democracy," *International Herald Tribune*, March 16, 1996; Melinda Liu and Sam Seibet, "Chinese Fireworks," *Newsweek*, March 18, 1996, p. 33.

names.”<sup>10</sup> As a result, the very legitimacy of the Chinese *Communist* regime has been seriously called into question.

In a deeper sense, this is not just a crisis entangling the Chinese Communist state. It epitomizes a fundamental puzzle facing Chinese society in the post-Mao era: If the ideals embodied in communism are no longer in a position to bind the nation together and to direct and define the nation's path toward modernization (as the CCP once loudly claimed that it was able to do), which “ism” (if there is any) could take over the mission? The inability on the part of anyone in Mainland China (least of all the CCP) to answer the question has resulted in a lingering “belief crisis” among the Chinese population, shaking their faith (especially that of the younger generation) not only in any political ideology but also (and more seriously) in the very necessity of maintaining any faith.<sup>11</sup>

Under these circumstances, the Chinese Communist regime had no other choice but to attach more importance to the revolution's second mission in an effort to legitimize the existence of its one-party reign. A central myth of the communist narrative of modern Chinese history — that if not for the CCP's successful revolution, China would have remained a weak, corrupt, and divided county — has been made the single most important justification for the CCP's autocratic regime.<sup>12</sup> Indeed, since the early 1980s, the CCP has consistently carried out campaigns to promote “patriotic education” among ordinary people. As a central part of these campaigns, the party repeatedly called upon the whole nation to study China's humiliating modern history (of which “China's loss of Taiwan” was an important chapter), as well as how much it had been changed by the Chinese Communist revolution, hoping to awaken the consciousness that “had there not been the CCP, there would have never been a new, powerful China.”<sup>13</sup>

Consequently, during the post-Mao age, maintaining China's territorial integrity and sovereignty has become an issue of utmost importance for the CCP; and Taiwan represents a crucial test case in this regard. From the perspective of Beijing's leaders, be it right

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10. Thomas J. Christensen, “Chinese *Realpolitik*,” 75 *Foreign Affairs* (September/October, 1996), p. 46.

11. Ci Jiwei, *Dialectic of the Chinese Revolution: From Utopianism to Hedonism*, Stanford: Stanford University Press, 1994.

12. Hu Qiaomu, “An Important Basic Construction in the Ideological Sphere,” *Hu Qiaomu wenji* [A Collection of Essays by Hu Qiaomu] (Beijing: Renmin, 1993), Volume 2, pp. 652-664, especially pp. 654-659.

13. This is the theme of an officially endorsed popular song in Mainland China.

or wrong, there is little space for them to demonstrate "flexibility" in dealing with the Taiwan issue, especially when Taiwan's status as a part of Chinese territory seems at stake. As Beijing's leaders interpreted President Lee's visit to the United States as a first step toward establishing Taiwan's *de facto* independent status, eventually leading to Taiwan's *de jure* independence, they felt that they were forced to take what they perceived as the "most effective measure" to stop it. Thus, Beijing decided to conduct the missile tests. It should also be pointed out that one of the direct, yet far-reaching, consequences of the events in 1995-1996 following President Lee's U.S. visit is that Beijing has lost "any confidence" in President Lee's sincerity and credibility in resolving the Taiwan issue within the framework of "one China." Beijing thus began to look into the post-Lee Teng-hui age in formulating its unification strategy.<sup>14</sup>

From an international diplomatic perspective, it is important to understand that, in addition to complicated domestic considerations, Beijing's decision to conduct the missile test was primarily aimed at Washington, rather than at Taipei or the Taiwan people. Simply, Beijing's leaders reached this decision to stop what they saw as a dangerous tendency in official U.S. policy toward Taiwan in the wake of the Tiananmen bloodshed — that the U.S. policymakers (not just those in Congress and the media) were willing to upgrade semi-official, or even official, contacts between Washington and Taipei. Beijing's leaders worried that such a tendency, if not stopped, could fundamentally jeopardize Beijing's efforts to prevent Taipei from claiming its position in the international community.

Here it is necessary to analyze Beijing's U.S.-centered Asian-Pacific diplomatic strategy in the post-Cold War era. As discussed earlier, during the latter stage of the Cold War era, the strategic considerations regarding the "Soviet threat" as the central concern helped Beijing and Washington maintain a strategic partnership. The situation changed drastically when the Soviet empire collapsed and the Cold War ended. The United States emerged as the only global superpower with a decisive voice in international affairs, including those concerning the Asian-Pacific area. Beijing, after several years of deliberations, gradually worked out a grand strategy on foreign affairs taking its diplomacy toward the United States as the core. Considering Washington's extraordinary international influences, Beijing's leaders have concluded that even in dealing with

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14. Interviews with officials and scholars in China during 1996-1998.

Asian-Pacific regional issues, they should pursue Washington's co-operation; at least Beijing should not make itself Washington's enemy.<sup>15</sup>

This is particularly true as far as Beijing's policy toward Taiwan is concerned. From Beijing's perspective, the emergence of the Taiwan issue was in the result of America's interference in the Chinese civil war in the late 1940s and early in the 1950s.<sup>16</sup> Since the early 1970s, Washington, through the issuance of three joint communiqués with Beijing,<sup>17</sup> has repeatedly acknowledged that there exists only one China in the world and that the solution of the Taiwan issue is a matter that should be settled by the Chinese living on both sides of the Taiwan Strait. In Beijing's view, this official American stand toward Taiwan, though not completely satisfactory, is more than acceptable (especially under the circumstances that the Beijing regime has been recognized as China's "sole legitimate government" by all international organizations and most governments in the world).<sup>18</sup>

Against this background, Beijing responded angrily when, in September 1994, the Clinton Administration announced a series of "adjustments" in Washington's policy toward Taiwan, demonstrating, in Beijing's view, a tendency to upgrade semi-official, or even official, contacts between Washington and Taipei.<sup>19</sup> The next year, when the Clinton Administration, yielding to the tremendous pressure from Congress, decided to approve President Lee's plan to visit Cornell University, Beijing was shocked and greatly offended.<sup>20</sup> Beijing's leaders decided to adopt the "missile diplomacy" early in 1996 to send a serious message, first of all, to policymakers in the United States: any action or potential action that may play a role to encourage Taiwan toward independence would cause the most severe response from Beijing, resulting in the

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15. Deng Xiaoping first proposed such a strategic approach which has been carried out by Jiang Zemin with great enthusiasm.

16. Taiwan Affairs Office of the CCP Central Committee and the Taiwan Affairs Office of the State Council, *Zhongguo Taiwan wenti* [China's Taiwan Issue], Beijing: Jiuzhou, 1998, pp. 43-49.

17. These are the Shanghai Communiqué of 1972, the Communiqué establishing Sino-American diplomatic Relations of 1979, and the "August 17 Communiqué" of 1982.

18. *Zhongguo Taiwan wenti*, pp. 55-56.

19. "Adjustments to U.S. Policy toward Taiwan Explained," Background Briefing, U.S. Department of State, September 7, 1994; *Zhongguo waijiao gailan* [An Outline of Chinese Diplomacy], Beijing: Shijie zhishi, 1995, pp. 470-471.

20. *Zhongguo Taiwan wenti*, p. 197; Su, *Meiguo*, pp. 739-741.



most serious consequences. Such a militant policy inevitably damaged Beijing's international reputation, while at the same time further alienating the Taiwan people from Mainland China. Yet, so long as Beijing's main message was received by Washington, Beijing's leaders regarded their "missile diplomacy" basically as a success.<sup>21</sup> Two years after Beijing's missile tests, Washington formally announced a new "three no's" approach toward the Taiwan issue<sup>22</sup> on the eve of President Bill Clinton's visit to Mainland China in summer 1998, which, not surprising at all, was quickly interpreted by Beijing as an indication of positive long-range effect of its tough attitude toward Taiwan in 1995-1996.<sup>23</sup>

But, does Beijing's militant policy suggests that it is willing to "resolve" the Taiwan issue at any price? The answer seems to be "no." It should be emphasized that despite the episodes of intense confrontation across the Taiwan Strait, it is not war, but relative peace, that has historically dominated Mainland-Taiwan relations over the past half century. Beijing's management of previous crises in the Taiwan Straits reveals that its leaders were not wary of using force if necessary, but they would prefer to refrain if possible.<sup>24</sup> Indeed, the regime in Beijing today has many reasons not to use military means to resolve the Taiwan issue. If a war were to erupt between Mainland China and Taiwan, it would have grave consequences in addition to its disastrous effects on the Asian-Pacific region and worldwide peace and stability: China's coastal areas (the country's most economically developed) are exposed to a retaliatory attack from Taiwan; international financial and trade ties, which are crucial to Mainland China's continued development, would be severely damaged; and the communist regime would risk its own existence, especially if the People's Liberation Army failed to win a clear-cut victory. Even if Beijing were able to crush Taiwan's military resistance, winning the "hearts and minds" of the people on the island would remain a tremendous challenge. Taiwan

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21. In this sense, even the presence of the two American aircraft carrier groups was not necessarily a bad thing from Beijing's perspective — at least it demonstrated to Washington how explosive the situation could get.

22. Clinton promised that the U.S. would not support: 1) Taiwan independence, 2) "two Chinas" or "one China and one Taiwan," or 3) Taiwan's entrance into the United Nations or other international organizations requiring statehood for membership.

23. Interviews with scholars and officials in Beijing, November 1998.

24. Ye Fei, *Ye Fei huiyilu* [*Ye Fe's Memoirs*], Beijing: Jiefangjun, 1988, pp. 659-660; Xu Yan, *Jinmen zhizhan* [*The Battle of Quemoy*], Beijing: Zhongguo guangbo dianshi, 1992, Chapter 5; "Mao Zedong's Handling of the Taiwan Strait Crisis of 1958," pp. 223-224.

could thus become "China's Northern Ireland."<sup>25</sup> In sum, Beijing's leaders certainly would find that the reunification of the Mainland and Taiwan, no matter how desirable in their view, could not be properly achieved by military means.

In reality, two years after the 1995-1996 crisis, Beijing is again adjusting its policy toward Taiwan. One indication of Beijing's less rigid attitude is that Mr. Wang Daohan, Beijing's main figure on Taiwan affairs, has repeatedly introduced a new notion of defining "one China:" it is neither PRC nor ROC; it is the China that is yet to be unified through the joint efforts of the people on the Mainland and on Taiwan.<sup>26</sup> On the eve of Chinese premier Zhu Rongji's visit to the United States in April 1999, Wang Daohan, in a meeting with members of a pro-unification organization (*Xin Tongmenghui*) from Taiwan, further introduced a new concept, acknowledging "*Zhongguo de fenzhi zhuangtai*" (which might be tentatively translated as "China's status of being under divided administration"). In addition, Wang emphasized that the discussions between Mainland China and Taiwan would be the "discussions between *equal* parties."<sup>27</sup> While it is still too early to identify the full implications of these statements, it is safe to say that at least they have demonstrated Beijing's attempt to develop a more flexible Taiwan policy in the long run.

Since Beijing's leaders really care about Washington's overall China policy in general and its position on the Taiwan issue in particular,<sup>28</sup> the United States does have some leverage on Beijing's attitude toward Taiwan. In using the leverage, Washington's bottom line should be to prevent a worst-case scenario from happening. Washington should vigorously promote direct communications between Beijing's and Taiwan's authorities and political parties, as well as between the people across the Taiwan Straits. While doing so, Washington should advise Beijing that China's development and prosperity depend upon the country's connections with the outside world, which would be fundamentally jeopardized if it were to risk

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25. This actually was the term used by a distinguished scholar-policy practitioner in an interview in Beijing in February 1997.

26. Wang first introduced this new concept of defining "one China" during his visit to the United States in early 1997.

27. *Shijie ribao* [*World Journal*], April 6, 1999, p. 1.

28. A recent example in this regard is that, despite their sense of a hostile "anti-China" atmosphere in America, Beijing's leaders, after much discussion and debate, still decided that Premier Zhu Rongji's long-scheduled visit to the United States in April 1999 should not be called off or postponed.

a war over Taiwan. Washington also should continue to sell defensive weapons to Taiwan as a means to deter any attempt to threaten the island's physical safety. In the meantime, it is equally important for Washington not to encourage, let alone to support, Taiwan's push for independence. While providing Taiwan with a conditional security guarantee, Washington should not give Taiwan's officials the illusion that the United States will defend Taiwan in any circumstance. To be sure, there is an extremely subtle and delicate balance that Washington should maintain in handling relations with Mainland China and Taiwan; and Washington must maintain such a balance.

In the meantime, policymakers in Taiwan should carefully reconsider the feasibility of their "pragmatic diplomacy." The people living in Taiwan certainly are entitled to have their own unique voices heard by the international community, but "pragmatic diplomacy" does not necessarily offer the best service to achieving this goal. From a historical perspective, one of the most important origins of the Taiwan issue lay in the consequences of the Chinese civil war between the CCP and the Nationalist Party in the late 1940s. The Taiwan issue thus is in essence a Chinese issue. In order to solve the Taiwan issue — in the current stage and in the near future, in order not to allow the Taiwan issue again to evolve into dangerous crises — it is essential that Taipei and Beijing should establish direct and substantial channels of mutual communication. In this sense, Taipei's leaders must give a higher priority to Taiwan's Mainland policy than to its policies toward other parts of the world (including the United States). Otherwise, in a worst-case scenario, both Taiwan's security status and "living space" in the international community could suffer.



## Chapter 12

### US-TAIWAN SECURITY TIES: TOWARD THE NEXT MILLENNIUM

*Dennis Van Vranken Hickey\**

This paper provides a general overview of US policy toward the security of the Republic of China (ROC or Taiwan). Specifically, it discusses the general principles of US policy, describes the Clinton administration's commitment to the island's defense, examines charges that the President somehow "sold out" or "betrayed" Taipei during his 1998 visit to the People's Republic of China (PRC), and analyzes several current proposals calling for significant changes in American policy. In conclusion, the author suggests that, while some modest adjustments in policy may be warranted from time to time, the US should not change its overall position toward Taiwan's defense. It is likely that the current policy — albeit ambiguous and contradictory — will continue to serve American interests in the new millennium.

#### **US Policy Toward Taiwan's Security**

US policy toward the security of Taiwan is outlined primarily in the Taiwan Relations Act (TRA) and three joint communiqués with the PRC. As Winston Lord, then Assistant Secretary of State for East Asian and Pacific Affairs, observed, "the TRA and the joint communiqués precisely express the governing principles of our policy."<sup>1</sup> This section examines these documents and draws several basic principles from them.

#### **1. The Taiwan Relations Act**

On December 15, 1978, the US announced the establishment of full diplomatic relations with the PRC, to become effective January 1, 1979. In order to achieve normalization, Washington acqui-

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1. Testimony of Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs, in *Military Stability in the Taiwan Straits*, Hearing Before the House International Relations Committee, March 14, 1996.

esced to Beijing's three long-standing demands: (1) termination of formal diplomatic relations with the ROC, (2) removal of all US troops from Taiwan, and (3) abrogation of the 1954 US-ROC Mutual Defense Treaty. At the same time, the US *acknowledged* the PRC's position that there is only one China and Taiwan is a part of it.<sup>2</sup> These moves came as a devastating blow to Taiwan. But Washington did agree to maintain "unofficial" or "substantive" relations with Taipei. Approximately 55 treaties, agreements, and programs with Taiwan were to remain in effect; and President Jimmy Carter declared that "the people of our country will maintain our current commercial, cultural, trade and other relations with Taiwan through non-governmental means."<sup>3</sup>

This highly unusual multilevel arrangement was unique and required legitimization by Congress. Rejecting the Carter administration's legislative proposals as too timid, the US Congress passed the TRA by an overwhelming majority; and the act was subsequently signed into law by the President. The TRA provides a legal framework for America's continued commercial and cultural relations with Taiwan. It also "forms the basis of US policy regarding the security of Taiwan."<sup>4</sup> US officials claim that "its premise is that an adequate defense in Taiwan is conducive to maintaining peace and security while differences remain between Taiwan and the PRC."<sup>5</sup>

The US security commitment to Taiwan is outlined principally in Sections 2 and 3 of the TRA. Section 2 (b) states:

It is the policy of the United States . . . to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States; to provide Taiwan with arms of a defensive character; and to maintain the capacity of the United States to resist any resort

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2. The word "acknowledge" was deliberately chosen as it indicates cognizance of, but not necessarily agreement with, the Chinese position. Dennis Van Vranken Hickey, "United States Policy and the International Status of Taiwan," *The Journal of East Asian Affairs* 7 (Summer/Fall 1993), p. 578.

3. *Taiwan Communique and Separation of Powers*, Report on the Taiwan Relations Act and the Joint Communique signed by the United States and China to the Committee On The Judiciary, United States Senate, Made by Its Subcommittee On Separation of Powers, Part One, Washington, DC: US Government Printing Office, 1983.

4. Winston Lord, "The United States and the Security of Taiwan," *US Department of State Dispatch*, February 5, 1996, p. 30.

5. Lord, "Security of Taiwan," p. 30.

to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.

In terms of American arms sales to Taiwan, the most pertinent passages of the TRA are to be found in Section 3:

(a) In furtherance of the policy set forth in section 2 of this Act, the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.

(b) The President and Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgement of the needs of Taiwan, in accordance with procedures established by law. Such determination of Taiwan's defense needs shall include review by the United States military authorities in connection with recommendations to the President and Congress.

Finally, should the security or the social or economic system of Taiwan be threatened, Section 3 also states that "the President is directed to inform the Congress promptly . . . (and) the President and the Congress shall determine in accordance with constitutional processes, appropriate action by the United States in response to any such danger."

## **2. The US-PRC Joint Communiqués**

In addition to the TRA, US security policy toward Taiwan is guided by three US-PRC Joint Communiqués: (1) the 1972 Shanghai Communiqué, (2) the 1979 Normalization Communiqué, and (3) the August 17, 1982 US-China Joint Communiqué. In the 1972 Shanghai Communiqué — a document that helped pave the way for eventual normalization of US-PRC relations — Washington reaffirmed "its interest in a peaceful settlement of the Taiwan question." It also acknowledged that "all Chinese on either side of the Taiwan Strait maintain there is one China and that Taiwan is part of China" and declared that "the United States government does not challenge that position."

The 1979 Normalization Communiqué played a critical role in shaping American policy. After all, it was in this document that the US acceded to Beijing's three long-standing demands for normalization and acknowledged "the Chinese position that there is but one China and Taiwan is part of China." In the American state-

ment that accompanied the normalization of relations, however, Washington stressed that “the United States continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves.”

Perhaps most controversial is the August 17, 1982 US-China Joint Communiqué — a document US officials now acknowledge as being “extremely important to Taiwan’s security.”<sup>6</sup> This agreement focuses almost exclusively on American arms transfers to Taiwan and seems to contradict key elements in the TRA. Taken at face value, the Communiqué appears to pledge the US to eschew long-term arms sales to Taiwan and to keep sales from exceeding either the quality or quantity of arms sold to Taiwan after the US established relations with the PRC. The document also apparently commits the US to reduce its arms sales to Taiwan gradually.<sup>7</sup> Furthermore, Washington promised that “it has no intention . . . of pursuing a policy of ‘two Chinas’ or ‘one China, one Taiwan.’” In the following sentence, however, the Communiqué states that “the United States Government understands and appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question.”

### 3. The Ambiguity of US policy

US policy toward Taiwan’s security is ambiguous. For example, the TRA warns that the US would consider any hostile actions directed against Taiwan as “a threat to the peace and security of the Western Pacific area and of grave concern to the US.” But Washington is not committed to Taiwan’s defense. The TRA provides the US only with an *option* to defend Taiwan; it does not necessarily commit the US to Taiwan’s defense. During Congressional hearings held in March, 1996, Howard Lange, Director of the Taiwan Coordination Staff at the Department of State, was asked by Representative Lee H. Hamilton (Democrat-Indiana) whether it was correct that the Taiwan Relations Act “does not contain any positive statement about our assistance in case of an attack on Taiwan.”<sup>8</sup> The Director replied, “that is correct.”<sup>9</sup> Lange’s candid

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6. “Security of Taiwan,” p. 30.

7. Dennis Van Vranken Hickey, *United States-Taiwan Security Ties: From Cold War to Beyond Containment*, Westport, CN: Praeger, 1994.

8. Testimony of Howard Lange, Director of the Taiwan Coordination Staff at the State Department, in *Consideration of Miscellaneous Bills and Resolutions*, Markup Before the Committee on International Relations, House of Representatives, One



testimony did not reflect a change in US policy. Indeed, the 1979 House Committee on Foreign Affairs report that accompanied the TRA emphasized that “what would be appropriate action, including possible use of force in Taiwan’s defense, would depend on the specific circumstances.”<sup>10</sup>

US officials will not specify the type of PRC provocations against Taiwan that might trigger an American military response. Moreover, they refuse to outline those circumstances that might lead Washington to forsake Taipei. For example, when asked during Congressional hearings in 1998 whether he could “envision any conditions under which the US would not come to Taiwan’s defense,” Kurt Campbell, Deputy Assistant Secretary of Defense for East Asian and Pacific Affairs, replied, “Congressman, I am not going to sit here and answer those kinds of hypothetical questions. . . we always refrain from answering those kinds of hypothetical questions.”<sup>11</sup> US policy toward Taiwan’s security also is contradictory. The TRA guarantees that Taipei will maintain an adequate self-defense capability. But in the August 17, 1982 US-China Joint Communiqué, Washington promised to reduce its arms transfers to Taiwan. As Professor Kenneth Lieberthal, then Professor of Political Science at the University of Michigan, observed, despite several administrations’ protestations to the contrary, “the problem is that the two [documents] are not consistent, and its not hard to find ways in which they are in conflict.”<sup>12</sup>

### **The Clinton Administration and the Security of Taiwan**

In 1992, Bill Clinton, then the Democratic party’s nominee for President, boldly proclaimed that he would punish the “butchers of Beijing” if elected. By 1998, however, critics were charging that President Clinton had “caved in” to China’s “demands” and that he now was willing to “trade Taiwan’s future for favor with Beijing’s

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Hundred Fourth Congress, Second Session on H.Res. 345, H.Res. 379 H.Con. Res. 102, H.J. Res. 158 and H.Con. Res. 148, March 14, 1996, Washington, D.C.: US Government Printing Office, 1996, p. 13.

9. Lange, Testimony, p. 13.

10. *United States-Taiwan Relations Act*, US House of Representatives, Committee on Foreign Affairs, 96th Congress, 1st Session, Report No.96-26, 1979.

11. Testimony of Kurt Campbell, Deputy Assistant Secretary of Defense for East Asian and Pacific Affairs, in *Hearing on the Direction of US-Taiwan Relations*, Subcommittee on Asia and the Pacific of the House International Relations Committee, May 20, 1998.

12. Steven Erlanger, “Clinton in China: Taiwan; As the Chinese See It, Taiwan Remains Most Important Issue,” *New York Times*, June 26, 1998, p. A9.

leadership.”<sup>13</sup> Has the Clinton administration somehow altered US policy toward Taiwan’s security? Is the President “colluding with the communist dictatorship to harm Taiwan?”<sup>14</sup>

### 1. The First Term

During Clinton’s first term in office, the President signed legislation declaring that the TRA takes precedence over the August 17, 1982 Joint Communiqué and approved the sale of numerous weapons systems to Taiwan.<sup>15</sup> Arms transfers negotiated successfully included deals for Hawkeye E-2T early warning aircraft, MK-46 torpedoes, M60S3 tanks, Knox-class frigates, Harpoon anti-ship missiles and a derivative of the Patriot missile air defense system.<sup>16</sup> Table 12.1 outlines the value of direct foreign military sales agreements concluded between fiscal years 1993 and 1996 (note that 1993 figures includes the sale of 150 F-16 fighter jets approved by President George Bush during the midst of his faltering re-election campaign in 1992).

**Table 12.1: US Foreign Military Sales Agreements with Taiwan, FY 1993-96 US Dollars in Thousands**

Fiscal Year	1993	1994	1995	1996
Amount Approved	6,263,591	356,620	176,810	459,865

Source: Defense Security Assistance Agency. *Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts*. Washington, D.C.: Financial Policy Division, Comptroller, Defense Security Assistance Agency, September 30, 1996. p. 3.

In addition to approving major arms transfers, the Clinton administration also completed a comprehensive interagency review of American policy toward Taiwan. After over a year of study, the

13. Parris Chang, “Clinton Sold Out Taiwan’s Future,” *Wall Street Journal*, July 7, 1998, p. A16. This op-ed was graciously provided to the author by Parris Chang, a member of Taiwan’s Legislative Yuan and head of the Democratic Progressive Party’s mission in the US.

14. Parris Chang has charged that “the US talks about democracy, yet Clinton is colluding with the communist dictatorship to harm Taiwan.” See Jeffrey Parker, “Taiwan-China Rift Still Wide Despite Thaw,” *Reuters Newswire*, August 17, 1998.

15. In 1994, President Clinton signed into law the Foreign Relations Authorization Act. Section 531 of the Act declared that the TRA takes precedence over the August 17, 1982 Joint Communiqué. See “US to Taiwan: Policy Stands,” *China Post* (International Airmail Edition), June 18, 1994, p. 4.

16. Dennis Van Vranken Hickey, “Reaching Out in the Darkness: The Changing Nature of US Policy toward Taiwan,” *Asian Affairs* 22 (Fall 1995), p. 163.

Department of State announced several adjustments in policy.<sup>17</sup> These included the following:

- Senior US economic and technical officials would be allowed to visit Taiwan;
- Taiwan's leaders could make transit stopovers in the US. But senior Taiwanese officials — including Taiwan's President — would still be prohibited from visiting Washington or conducting official business in the US;
- Taiwan could change the name of its 13 representative offices in the US from the baffling "Coordination Council for North American Affairs" to the "Taipei Economic and Cultural Representative Office;" and
- The US would support Taiwan's membership in international organizations where statehood is *not* an issue and would support opportunities for Taiwan's voice to be heard in organizations where it is denied membership [emphasis added].<sup>18</sup>

In May 1995, the Clinton administration announced that Lee Teng-hui, Taiwan's President, would be permitted to pay a private visit to the US to attend an alumni reunion at Cornell University. This shocking announcement came only days after the State Department had explained that Lee would be denied a visa because "a visit by a person of President Lee's title, whether or not the visit were termed private, would unavoidably be seen by the PRC as removing an essential element of unofficiality in the US-Taiwan relationship."<sup>19</sup>

Unfortunately, the Lee visit contributed to a sharp downturn in both US-PRC relations and ROC-PRC relations. In 1995 and 1996, Beijing initiated a series of provocative military exercises and missile tests off Taiwan's coastline to teach the island's "splittist" President a lesson. The 1996 maneuvers ultimately led the Clinton

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17. In order to underscore the continuing unofficial nature of US-Taiwan relations, the Department of State refused to release a written account of the changes in US policy.

18. "Taiwan Policy Review," *Department of State Dispatch*, October 17, 1994, p. 11; Jim Mann, "US Slightly Elevates Ties with Taiwan," *Los Angeles Times*, September 8, 1994, p. 4.

19. Tony Walker and George Graham, "Reaction was Predictable But Fallout is Not: Washington's About-Face Sets Stage for the Taiwan Issue Overshadowing All Relations," *Financial Times*, May 24, 1995, p. 4.

administration to dispatch two carrier battle groups to patrol the waters around Taiwan (the largest US naval deployment in East Asia since the Viet Nam War) and warn that an attack directed against the island would not be tolerated and "could" lead to an American military response.<sup>20</sup> After China concluded its missile exercises, administration officials bragged that the President's "dispatch of two aircraft carriers to waters off Taiwan . . . sent a very strong signal not only to Beijing but to all of the US allies in the region that Washington was, in fact, living up to its commitments."<sup>21</sup>

## 2. The Second Term

In 1996, Bill Clinton was re-elected to a second term as President of the United States. At that time, US-PRC relations remained tense. Public opinion polls revealed that a majority of Americans now viewed China as either not friendly or as an enemy; and most analysts conceded that the current state of relations was the worst that it had been since President Richard Nixon's historic opening to China in 1972. Early in the second term, though, administration officials concluded that it would be wise policy for Washington to normalize its relationship with Beijing and take concrete steps to help defuse tensions across the Taiwan Strait. In order to achieve these objectives, the President agreed to meet with Chinese leaders and called on both Taipei and Beijing to re-open negotiations suspended after Lee's 1995 visit to America.

In June, 1998, President Clinton traveled to China to meet with Jiang Zemin, the PRC's President, and other Chinese officials. During a carefully orchestrated question and answer session in Shanghai, the President proclaimed that "we don't support independence for Taiwan, or 'two-Chinas' or 'one Taiwan, one China.' And we don't believe that Taiwan should be a member in any organization for which statehood is a requirement. Our only policy is that we think it has to be done peacefully."

Clinton's remarks ignited a storm of controversy. Voices in Washington, including Senate Majority Leader Trent Lott (R-MS), characterized the President's statement as "a serious mistake."<sup>22</sup>

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20. Bill Wang, "US will not Tolerate Attack on Taiwan," *Central News Agency*, March 19, 1996.

21. Bill Wang, "US Lives Up to Its Commitments to Taiwan: US Defense Secretary," *Central News Agency*, January 22, 1997.

22. Eric Schmitt, "Lott Leads GOP Attack on 'Mistakes' on China Trip," *New York Times*, July 8, 1998, p. A4.

Representative Tom DeLay (R-TX), House Majority Whip, warned that “President Clinton has upset the [Asian] balance of power.”<sup>23</sup> Stephen Yates, an analyst at the conservative Heritage Foundation, charged that “Taiwan had become a casualty of the Clinton Administration’s major China shift.”<sup>24</sup> Perhaps most significant, the US Congress passed a non-binding resolution reasserting Washington’s commitment to Taiwan’s defense.<sup>25</sup> The measure was approved by the House of Representatives by a vote of 390-1 and passed the Senate by a vote of 92-0.<sup>26</sup> Some lawmakers apparently feared that the President planned to curtail arms sales to the ROC — ignoring the fact that Clinton was the first President to declare publicly on the PRC’s territory that the US intended to continue its weapons transfers to Taiwan.<sup>27</sup>

### 3. The Limited Significance of the “Three No’s”

Since 1949, America’s relations with the ROC have passed through several phases. Indeed, during the Cold War, American policy toward Taiwan went “through a complete cycle that started with relative indifference, moved to active support and finally returned to relative benign neglect and indifference.”<sup>28</sup> But it is a gross exaggeration to suggest that President Clinton’s utterance of the “three-no’s” represented yet another radical shift in American policy. As Senator Chuck Hagel (R-NE), opined, “what’s really new here? I wonder if this isn’t some way to get a jab in at the President.”<sup>29</sup>

With respect to Taiwan’s independence (or other steps intended to separate the island permanently from China), the Nixon

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23. “House Joins the Senate in Reaffirming US Support for Taiwan’s Sovereignty,” *Star Tribune* (Minneapolis), July 21, 1998, p. 8A.

24. Stephen J. Yates, “Promoting Freedom and Security in US-Taiwan Policy,” *Heritage Foundation Backgrounder*, October 13, 1998, p. 2.

25. Simon Beck, “US Lawmakers Pledge Backing for Taiwan,” *South China Morning Post*, July 22, 1998; Jay Chen and Lilian Wu, “US House Passes Pro-Taiwan Resolution, 390-1,” *Central News Agency*, July 21, 1998.

26. The only dissenting vote in the House was Ron Paul (Republican-Texas) who “routinely votes against foreign policy motions because he believes the US should remain neutral.” Beck, “Lawmakers.”

27. Darryl N. Johnson, Director of the Taipei Office of the American Institute in Taiwan raised this point shortly after President Clinton’s June 25-July 3, 1998 visit to China. See “AIT Director Reaffirms US Policy to Sell Defensive Weapons to Taiwan,” *China News*, August 14, 1998.

28. Daniel Mettraux, *Taiwan’s Political and Economic Growth in the Late Twentieth Century*, New York: Edwin Mellen Press, 1991, p. 91.

29. Schmitt, “Lott Leads GOP Attack.”

administration secretly promised Mao Zedong that Washington would not support such a development in 1972.<sup>30</sup> Perhaps more importantly, President Reagan promised publicly in the August 17, 1982 US-China Joint Communiqué that the US “has no intention . . . of pursuing a policy of ‘two Chinas’ or ‘one China, one Taiwan’” and other officials in his administration made similar pledges.<sup>31</sup> As for Taipei’s quixotic campaign to return to the UN, it is noteworthy that the 1994 policy review pledged only that “the US would support Taiwan’s membership in international organizations where statehood is *not* an issue.” In fact, in 1995, Kent Wiedemann, then Deputy Assistant Secretary of State for East Asian and Pacific Affairs, explained to members of Congress that “support for Taiwan’s participation in the United Nations, an organization of states, would contradict our policy since 1979 of recognizing the PRC as the sole legal government of China.”<sup>32</sup> He emphasized that any change in US policy would be viewed as “abandoning one of the most fundamental elements of the US-China relationship, an element affirmed by the commitment in 1982 under President Reagan not to pursue a policy of ‘two Chinas’ or ‘one China, one Taiwan.’”<sup>33</sup>

During private meetings with Jiang Zemin in November 1997, President Clinton had reassured the Chinese leader that America would continue to abide by the “three-no’s” policy. Moreover, in April 1998, Madeleine Albright, US Secretary of State, reiterated during a news conference in Beijing that “the US has a one China policy and does not support Taiwan independence or Taiwan’s membership in international organizations where statehood is a prerequisite.”<sup>34</sup> Less than one month later, Dr. Susan Shirk, Deputy Assistant Secretary for East Asian and Pacific Affairs, testified before Congress that “we do not support two Chinas or one China,

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30. Jim Mann, “US, China Coordinated Policy During Cold War,” *Los Angeles Times*, June 13, 1994, p. A1.

31. “Secretary Visits Asia,” *Department of State Bulletin*, May 1987, p. 11.

32. Testimony of Kent Wiedemann, Deputy Assistant Secretary for East Asian and Pacific Affairs in *H. Con. Res. 63, Relating to the Republic of China (Taiwan’s) Participation in the United Nations*, Hearing Before the Committee on International Relations, House of Representatives, One Hundred Fourth Congress, First Session, August 3, 1995, Washington, D.C.: US Government Printing Office, 1996, p. 34.

33. Wiedemann, Testimony, p. 34.

34. Jay Chen, “US Rules Out New Communiqué on Taiwan,” *Central News Agency*, April 30, 1998.

one Taiwan, Taiwan independence or Taiwan's membership in the United Nations."<sup>35</sup>

It is clear that Clinton is correct in claiming that "I did not announce any change in policy . . . the question on independence for Taiwan, for example, has been American policy for a very long time and has been a policy that has been embraced by the government of Taiwan itself."<sup>36</sup> Even Taiwan's President acknowledged that "US policy toward Taiwan remains unchanged" after the Clinton-Jiang summit.<sup>37</sup> Furthermore, President Clinton has promised that he will continue to "support Taiwan's membership in international organizations that do not require statehood and will find appropriate ways for Taiwan's voice to be heard in those that do."<sup>38</sup> Finally, Clinton has pledged to continue to provide Taipei with "the defensive weaponry necessary for it to maintain a sufficient self-defensive capability."<sup>39</sup>

Since Clinton's 1998 visit to China, the US has agreed to sell a wide variety of military hardware to Taiwan. Recent sales have included 61 dual mount Stinger missile launchers, 728 missile rounds and associated hardware for \$180 million, 58 Harpoon anti-ship missiles (to be mounted on Taipei's American built F-16 warplanes) and eight Harpoon training missiles for \$101 million, 131 MK-46 torpedoes (for Taiwan's S-70 helicopters) and related equipment for \$69 million, and nine CH-475 Chinook CH-475 military transport helicopters (including radar early warning receivers, spare turbo engines and other spare parts) for \$486 million.<sup>40</sup> These deals followed on the heels of a January 1998 sale of three Knox-class frigates for \$300 million and a \$160 million dollar sale of flight guidance equipment for Taiwan's F-16 fighters in June 1998. In addition to these arms transfers, US Defense Secretary William Cohen

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35. Testimony of Dr. Susan Shirk, Deputy Assistant Secretary for East Asian and Pacific Affairs in *Hearing on the Direction of US-Taiwan Relations*, Hearing before the Subcommittee on Asia and the Pacific, House International Relations Committee, May 20, 1998.

36. "Clinton Says No Change in US Policy on Taiwan," *Reuters Newswire*, July 3, 1998.

37. Deborah Kuo, "President Lee Lauds US for Its Integrity," *Central News Agency*, July 2, 1998.

38. "Clinton Reaffirms Commitment to Taiwan," *Central News Agency*, August 26, 1998.

39. "Clinton Reaffirms."

40. "Defense Officials Say Arms Deal with USA Signifies No Policy Change," *Central News Agency*, August 28, 1998; "US to Sell Taiwan Nine CH-475D Military Transport Helicopters," *Deutsche Presse Agentur*, October 10, 1998.

has met with General Tang Fei, Taiwan's Chief of General Staff, in Washington in order to discuss a proposed theater missile defense system (TMD) for East Asia and other unspecified "issues of concern to US and Taiwanese defense."<sup>41</sup>

In sum, the Clinton administration has not changed US policy toward Taiwan. As the President explained during his visit to Xian, China, "our position with regard to Taiwan is embodied in the three communiqués and in the Taiwan Relations Act and in the facts of our relationship over the years . . . so I think its obvious there will be no change in our relationship."<sup>42</sup>

### **Proposals Calling for a Change in Us Security Policy Toward Taiwan**

As the world approaches the new millennium, many believe that it is time to chart a new direction for American foreign policy. In East Asia, a plethora of long-range concerns — including nuclear proliferation, the regional economic meltdown and a host of lingering territorial disputes — must be addressed. Some contend that Washington may also need to make some hard decisions about its relationship with Taipei. In particular, the Taiwan Strait crisis of 1996 led numerous Americans to question US policy toward the defense of Taiwan. Some appeared surprised to learn that Washington was not formally committed to protect the island. Others feared that the US might be dragged into a nuclear war with China. Such concerns have led some individuals to call for dramatic changes in American policy. Several proposals are discussed below.

#### **1. A Big Taiwan Deal**

On March 8, 1998, Joseph S. Nye, Jr., former Assistant Secretary of Defense, published his essay, "A Taiwan Deal," in the *Washington Post*.<sup>43</sup> Nye argued that the cross-Strait crisis had proved that Washington should "state plainly" that it opposes Taiwan's independence and "would not recognize or defend" an independent Taiwan. In return for a Taiwanese promise to foreswear independence, he suggested that the US should provide the island with a firm security guarantee. These moves would purportedly lead both sides to act with restraint while the current policy "may court disas-

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41. "Taipei-US Defense Meeting," *Associated Press*, November 3, 1998.

42. "Clinton Refuses to Change Stance on Taiwan on China Visit," *Agence France Presse*, June 26, 1998.

43. Joseph Nye, "A Taiwan Deal," *Washington Post*, March 8, 1998, p. C7.



ter.” He concluded his essay with a call for Taiwan to increase its investment in the PRC.

Nye’s proposal, albeit well-intentioned, is fundamentally flawed. The first part of the former Assistant Secretary’s proposal is that Washington should “state plainly” that it opposes Taiwan’s independence. This would represent a radical change in policy as the present policy states only that the US will not *support* or promote independence. The difference is important.<sup>44</sup> For decades, the US has not taken a position on the future of Taiwan other than to insist that the resolution of the Taiwan issue is a matter for the Chinese themselves to settle and that it should be settled peacefully. American policy does not address a host of other issues, including Taiwan’s future status in the global community, its form of government, or its socio-economic system. The position enables the US to adapt and adjust easily to practically any eventuality which may emerge with regard to this sensitive problem, thus keeping US options open. If Taiwan declares independence (an occurrence that the US does not presently *support*, advance, champion or pursue), decision-makers may nevertheless make a reassessment of conditions in China and/or Taiwan that led to this development and then determine the US position toward the survival of such a Republic. But Nye suggests that it would be wise policy to eliminate all American maneuverability.

The first portion of Nye’s proposal also calls for the US to state unequivocally that it will not “defend” an independent Taiwan or “accept” China’s use of force against a new, independent Taiwanese state. But what does this mean? If China attacks (a distinct possibility given past threats) does Nye’s proposal mean that the US would be compelled to fight to protect a state it claims should not exist and has promised not to defend? Clearly, this portion of Nye’s thesis deserves more thought.

The second part of Nye’s package involves securing a pledge from China to provide Taiwan with more “international living space” if Taipei “decisively rejects” the idea of declaring independence. But how does Taipei “decisively reject” independence? Neither the US nor China wants to run the risk of holding a popular referendum on the island’s future. Moreover, the days of dictato-

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44. Simply because the United States has declared on numerous occasions that it has no intention of “pursuing” or “supporting” Taiwan independence, it cannot logically be argued that the US necessarily opposes Taiwan’s independence or will prevent such a move. See Dennis Van Vranken Hickey, “America’s Two-Point Policy and the Future of Taiwan,” *Asian Survey* 28 (August 1988), pp. 881-896.

rial rule in Taiwan are over. Unlike the late Generalissimo Chiang Kai-shek, Taiwan's current leadership is not in a position to declare boldly that the government will forever forswear independence. Such a proclamation would mean little or nothing. Taiwan's international status will remain a contentious political issue on the island and will not go away simply because some officials in Taipei, Washington, or Beijing want it to disappear.

In the second part of his essay, Nye also calls on China to promote a new "one-country, three systems" formula that would make clear to Taiwan that it will continue to enjoy its own political, economic and social systems after unification. But Beijing's current proposal already does that. Under China's "one country, two systems," unification plan, Taiwan would be allowed to maintain its present socioeconomic system and its own armed forces. Both private property rights and foreign investment on the island would be protected and high-ranking Taiwanese officials would be allowed to "take up posts of leadership" in the Chinese government. The problem here is that the Taiwanese people do not trust the Chinese proposal (opinion polls reveal that over 90 percent reject it) and favor unification only *after* economic and political liberalization takes root in mainland China.

The last part of Nye's proposal calls for Taipei to "explicitly express its decision to forswear any steps toward independence, to intensify the cross-strait dialogue, and to stimulate greater flows of investment and exchanges of people across the strait." Each of these points merit a brief discussion. Once again, who on Taiwan possesses the authority or power to "explicitly express" a decision to forswear steps toward independence? And what exactly constitutes a "step" toward independence? Should Taiwan's chief opposition party — an organization that supports independence — be banned? Should independence activists be exiled or returned to the prison cells they occupied when Taiwan was under martial law? Perhaps the upcoming presidential elections should be canceled? After all, China considers almost all political activity in Taiwan as "steps toward independence." Finally, one is puzzled by Nye's call for Taiwan to "stimulate" greater investment or exchanges of people across the strait. According to Beijing's figures, Taiwan already is the largest investor in China and millions of Taiwanese compatriots travel to the mainland on a regular basis. How much more must Taiwan invest in China to satisfy Mr. Nye? Perhaps no other proposal for a comprehensive settlement of the Taiwan issue has attracted as much attention as Nye's thought provoking essay.

However, it is clear that his treatise contains contradictions and deserves much more thoughtful analysis.

### **Increase Arms Sales and Abandon Taiwan**

There are numerous calls for Washington to increase its arms sales to Taiwan. For example, some American lawmakers hope to sell a theater missile defense system to the island. In 1998, the US Congress "authorized the Pentagon to study architectural requirements for the establishment and operation of a TMD in the Asia-Pacific region in order to protect the country's 'key allies,' Japan, South Korea and Taiwan."<sup>45</sup> Although Taiwan has indicated that it has an interest in the project, it remains non-committal. It is estimated that the high-tech military project would require billions of dollars in capital investment in order to reach completion. In contrast, Taipei has long insisted that the acquisition of submarines is a critical part of its defense modernization program. Some contend that the US should reassess its decision not to sell submarines to Taiwan. For example, former Senator Bob Dole (R-KS) has suggested that the US provide Taipei with "coastal submarines."<sup>46</sup> These proposals might not square with the August 17, 1982 US-China Joint Communiqué; and, if adopted, the US would have to be prepared for a negative reaction from the PRC. However, one could still defend the sales by arguing that they would be consistent with the TRA's provisions "to enable Taiwan to maintain a sufficient self-defense capability." After all, Beijing has recently acquired Russian-built Kilo class submarines, Su-27 strike fighters, and Sovremenny-class destroyers; and US officials did take the position that the 1992 \$6 billion dollar sale of F-16 warplanes was not a violation of the 1982 Communiqué.<sup>47</sup>

In his study, "Let Taiwan Defend Itself," Ted Galen Carpenter goes several steps beyond such proposals.<sup>48</sup> After noting that "Taiwan is not asking the United States to give the weapons as a form of foreign aid; Taipei is willing to pay top dollar for the various sys-

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45. The study was authorized in the 1999 National Defense Authorization Act. Jay Chen, "US Reacts Cautiously to Call for Taiwan TMD Study," *Central News Agency*, October 3, 1998.

46. Nigel Holloway, "On the Offensive," *Far Eastern Economic Review*, May 23, 1996, pp. 34-35.

47. As Winston Lord observed, this position is a bit of "a stretch." Steven Erlanger, "Clinton in China."

48. Ted Galen Carpenter, "Let Taiwan Defend Itself," *Cato Policy Analysis*, Washington, D.C.: Cato Institute, August 24, 1998.

tems,” Carpenter proposes that the US should provide the island with almost “carte blanche” for procurement of American arms.<sup>49</sup> He argues that the US should sell AIM-120 Advanced Medium Range Air-to-Air Missiles, advanced versions of the air-to-surface Maverick missile (an anti-ballistic missile system) and attack submarines to Taiwan. As for the August 17, 1982 US-China Joint Communiqué, Carpenter declares boldly that the US should “‘clarify’ (renounce) any previous statements” indicating that Washington will reduce its arms sales to Taipei.<sup>50</sup> But he doesn’t stop there.

After arguing that the US should abrogate the August 17, 1982 US-China Joint Communiqué and sell almost every conceivable type of conventional military hardware to Taiwan, Carpenter declares that the island is of no vital interest to the US. He then suggests that American officials “need to make it clear to both Beijing and Taipei that under no circumstances will the United States intervene in a PRC-Taiwanese war.”<sup>51</sup> Carpenter criticizes Nye’s proposed “Taiwan Deal” as “dreadful in almost every respect.”<sup>52</sup> But his recommended overhaul of US security policy — a move that would require the scrapping of the TRA — is even worse.

The US is not committed to Taiwan’s defense. But the prospect of American intervention has long played a key role in deterring PRC aggression. Moreover, the ambiguity associated with the US position provides decision-makers with many options, a fact that hopefully leads *both* sides of the Taiwan Strait to act with restraint. Carpenter’s proposal would eliminate one of the chief deterrents to a PRC attack while simultaneously enraging Beijing. China might even attempt to resolve the Taiwan issue militarily before the island takes possession of its new arms. This neo-isolationist appears not to understand that it requires a considerable amount of time to construct advanced warplanes, submarines and other sophisticated arms and ship them overseas.<sup>53</sup>

### 3. A War Prevention Plan

Joseph S. Nye, Jr. is not the only former Assistant Secretary of Defense to promote a new approach to the Taiwan issue. In his article, “Preventing War in the Taiwan Strait,” Chas W. Freeman,

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49. Carpenter, “Let Taiwan,” p. 11.

50. Carpenter, “Let Taiwan,” p. 3.

51. Carpenter, “Let Taiwan,” p. 3.

52. Carpenter, “Let Taiwan,” p. 7.

53. For example, Washington agreed to sell 150 F-16 warplanes to Taipei in 1992. Six years later, it was still waiting on the delivery of 47 of them.

Jr. makes a number of concrete proposals as to how the Taiwan question should be resolved.<sup>54</sup> According to Freeman, "Taiwan seems convinced it can campaign for independence with the military backing of the United State."<sup>55</sup> Lee Teng-hui and his Kuomintang government are moving away from the "one-China principle" in an effort to reach an agreement on cross-Straits relations with the island's chief opposition party, the Democratic Progressive Party. Freeman reasons that this development represents a threat to peace and stability across the Taiwan Strait. He cautions that "for the first time since the 1950s, there is a real danger that decisions in Taipei, not just Beijing, could ignite a conflict in the Taiwan Strait."<sup>56</sup>

In order to prevent a cross-Straits conflict, Freeman asserts that "the United States should state *unequivocally* that it will not support or *endorse* any unilateral change in Taiwan's status by either Beijing or Taiwan [emphasis added]."<sup>57</sup> Furthermore, he believes that "the US should encourage Beijing and Taipei to discuss deferring negotiations about their long-term relationship for a specific period, say 50 years. In the interim, neither side would attempt unilaterally to alter the status quo. Neither side would threaten or use force against the other."<sup>58</sup> Finally, the former Assistant Secretary concludes that the US should abide by the August 17, 1982 US-China Joint Communiqué and recognize that "it does not make sense to attempt to sustain Taiwan's current military superiority or even a long-term military balance between Taipei and Beijing."<sup>59</sup>

Like other proposals, Freeman's analysis contains problems. In fact, the basic premise of the article is flawed. The Taiwanese are not convinced that the US will protect the island if it moves too close toward *de jure* independence from China. Lest there be any misunderstandings on this point, a steady procession of "track-two diplomats" have travelled to Taipei to remind officials that "there is nothing in the law [Taiwan Relations Act] that says we have to defend Taiwan against all comers under any and all circumstances."<sup>60</sup> The island's politicians have received the message. Like Nye, Free-

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54. Chas W. Freeman, Jr., "Preventing War in the Taiwan Strait: Restraining Taiwan—and Beijing," *Foreign Affairs* 77 (Fall 1998) pp. 6-11.

55. Freeman, "Preventing War," p. 6.

56. Freeman, "Preventing War" p. 10.

57. Freeman, "Preventing War," p. 10.

58. Freeman, "Preventing War," pp. 10-11.

59. Freeman, "Preventing War," p. 11.

60. Harvey Feldman, senior fellow at the Asian Studies Center of the Heritage Foundation, made this statement. Barbara Opall, "US, Taiwanese Opposition Chart Collision Course," *Defense News* 13 (Number 12, 1998), p. 1; Victor Lai and Lilian Wu,

man appears to favor a forthright declaration that the US actively opposes Taiwan's independence, a move that eliminates all American maneuverability on this issue. He also suggests that America should promise to thwart any effort by Beijing to change the island's status unilaterally. But what does this mean? Would the US have to fight to protect Taiwan if the PRC attacked it? This commitment would necessitate a revision of the TRA or perhaps even the drafting of a new US-ROC Mutual Security Treaty. Either option would infuriate Beijing.

Freeman promotes a grand scheme whereby both the PRC and ROC would agree to "defer" the Taiwan question for fifty years. To suggest that this proposition ignores the realities of domestic politics in both China and Taiwan is an understatement. No one in Beijing or Taipei has the political clout to guarantee that discussion of the Taiwan question will be stifled for half a century. Indeed, it is hardly conceivable that Jiang Zemin had this policy in mind when he boasted that real progress on the Taiwan issue would be achieved during his tenure in office. Moreover, it is unlikely that he has the power to foreswear the use of force. China has long embraced, as a basic policy, the position that "every sovereign state has the right to use all means it thinks necessary, including military means, to safeguard its own sovereignty and territorial integrity. In deciding which way to deal with the issue of Taiwan, the Chinese government has no obligation to make a commitment to any country or any person attempting to split China."<sup>61</sup>

The final point in Freeman's analysis, namely that Taipei cannot hope to compete militarily with Beijing and that the US should therefore reduce its arms sales to the island, ignores the realities of the ROC's military strategy — deterrence. At one time, Taiwan's military planners concentrated on building a huge army to retake mainland China. But this policy died with Chiang Kai-shek. Taiwan is not attempting to achieve military superiority over a rival that is armed to the teeth with strategic nuclear arms and other weapons of mass destruction. Taiwan hopes only to deter a PRC military attack by keeping the costs of such action prohibitively high. Sophisticated and modern weapons systems may help the island achieve this goal.

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"US Officials Urge Restraint on Taiwan Independence," *Central News Agency*, December 27, 1997.

61. Information Office of the State Council, *China's National Defense*, Beijing: Information Office of the State Council, July 1998, p. 3.

#### 4. The Danger of Policy Change

The discussion above outlines only three of the most recent proposals calling for a change in US policy toward the security of Taiwan. A more complete analysis would include other proposals as well.<sup>62</sup> As Kurt Campbell observed, it now appears as if there is “a whole cottage industry on the outside of government that is looking at other ways to consider the situation across the Taiwan Straits.”<sup>63</sup> Unfortunately, the problem with most of these suggestions is that “there are many unintended consequences . . . things that are difficult to imagine if implemented.”<sup>64</sup> If adopted, most would actually jeopardize peace and stability in the Western Pacific.

#### The Advantages of Current US Policy

US policy toward the security of Taiwan is guided principally by the Taiwan Relations Act and the three joint communiqués with the PRC. Despite charges to the contrary, the Clinton administration has not changed this fact.<sup>65</sup> As Secretary Albright emphasized, “there is no change.”<sup>66</sup> What many critics of American policy fail to appreciate is that it is in Washington’s best interest to maintain a stable, constructive relationship with *both* Taipei and Beijing. It makes no sense for the United States to remain permanently at odds with the world’s most populated country, a nation that also happens to enjoy the fastest growing economy on earth. As America moves into the next millennium, Beijing’s cooperation will be essential if the international community hopes to address a wide range of pressing global problems including the proliferation of weapons of mass destruction, environmental degradation, health issues, the standoff on the Korean Peninsula, and energy supplies to name just a few.

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62. For a discussion of other proposals, see Dennis Van Vranken Hickey, “The Taiwan Strait Crisis of 1996: Implications for US Security Policy,” *The Journal of Contemporary China* 7 (Fall 1998), pp. 405-419.

63. Campbell, Testimony.

64. Campbell, Testimony.

65. Pro-independence groups, however, continue to insist that Clinton has “betrayed” Taiwan and bristle at suggestions that the President only reiterated long-standing US policy. They charge that the scandal-plagued President is committing “the same mistakes of doubletalk, half-truths, innuendo and outright falsehoods which plagued his defense against the allegations in the Monica Lewinsky case.” “Clintonian Double-talk,” *Taiwan Communiqué* (International edition), Number 83, October 1998, p. 2.

66. Simon Beck, “Albright Stands by Clinton on Taiwan,” *South China Morning Post*, July 10, 1998.

At the same time, America must continue to maintain its close “unofficial” relationship with Taiwan — a relationship that US officials acknowledge is “closer and more productive than the official diplomatic ties we have with many countries.”<sup>67</sup> US economic ties with Taiwan remain strong — Taiwan is America’s sixth largest trading partner and the US sells more products to Taiwan than it sells to mainland China. Moreover, Taiwan has evolved from an authoritarian dictatorship into a full-fledged democracy. As one American lawmaker observed, “Taiwan is setting a good example of elective democracy for other developing nations, especially China.”<sup>68</sup>

America’s long-standing policy toward Taiwan’s future and its security is not a perfect policy. Although the ambiguity associated with the US position does provide decision-makers with many options — a fact that hopefully leads both sides of the Taiwan Strait to act with restraint — it also might lead to miscalculation and error. But the present policy “has given us the tremendous peace and stability and growth over the last 25 years, has served our interests, has served the PRC’s interests and Taiwan’s interest very well.”<sup>69</sup> On the other hand, the proposed alternatives to the present policy appear unworkable at best and perhaps even dangerous. Not surprisingly, neither government on either side of the Taiwan Strait is clamoring for the US to broker a grand settlement of the Taiwan issue.<sup>70</sup> It is for these reasons that America should not change its policy toward Taiwan’s defense. There is no compelling reason why this policy, a policy that has promoted peace and stability in the Taiwan Strait for over two decades, cannot continue to serve American interests in the new millennium.

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67. Wiedemann, Testimony, p. 33.

68. Nelson Chung, “Congressman Presses for More Arms Sales to Taiwan,” *Central News Agency*, June 17, 1998.

69. Campbell, Testimony.

70. As Tang Guoqiang, China’s Foreign Ministry spokesman, opined, “I think that on the Taiwan question, it is not that we hope the US will do something, but that we hope the US will not do certain things.” Jasper Becker, “Hint of New Sino-US Document on Taiwan,” *South China Morning Post*, May 1, 1998.



## Chapter 13

### TAIPEI'S STRUGGLE FOR INFLUENCE OVER U.S. POLICY

*Robert Sutter\**

Taiwan's efforts to influence the policy of the United States concerning its competition with the People's Republic of China (PRC) occur in various arenas, including the media, academia, think tanks, and local and national legislatures. Such efforts notably affect the U.S. national government policy debate on what constitutes an appropriate balance in U.S. policy toward Taiwan and the PRC. They do so especially through the actions of the U.S. Congress and its interactions with the U.S. Administration in forming policy in this area. Taiwan's efforts are especially important in the post-Cold War environment when U.S. Administration leaders have had a difficult time defining a coherent approach to China policy, which has been strongly influenced by a continuing tug-of-war among competing U.S. interests reflected in the U.S. Congress. Thus, a review of congressional-administration interaction over policy toward Taiwan and Mainland China illustrates the strengths and weaknesses of Taiwan's efforts in its competition with the PRC for influencing the policy of the most important outside power in the Mainland-Taiwan dispute, the United States.

#### **The Controversy Over the "Three No's" — 1998**

The controversy over President Clinton's public affirmation on June 30, 1998 of the so-called "three no's" regarding U.S. policy toward Taiwan represented the latest round in a long series of arguments, often between the Administration and critics in the Congress, over appropriate U.S. policy in the U.S.-PRC-Taiwan relationship. During a roundtable discussion in Shanghai following his summit meeting with Chinese leaders in Beijing, President Clinton said that "we don't support independence for Taiwan, or two

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Chinas, or one Taiwan-one China. And we don't believe that Taiwan should be a member in any organization for which statehood is a requirement."<sup>1</sup>

This marked the first time a U.S. President had publicly affirmed the "three no's," though Clinton Administration officials have been saying them publicly and in private conversations with Chinese leaders publicized by the Chinese media since at least 1996. Earlier U.S. statements, including some made privately by senior Administration officials to Chinese counterparts going back as far as 1971 provide a basis for the current "three no's," according to Clinton Administration officials. In particular, the Administration maintains that the "three no's" are consistent with the one China affirmations contained in the communiques of 1972, 1979, and 1982 that provide the framework for U.S.-PRC relations.

Critics in Congress, the media and elsewhere, however, assert that the Administration is buckling in the face of PRC pressure, sacrificing Taiwan's interests and U.S. interests in relations with Taiwan for the sake of assuring a smoother U.S. relationship with Beijing. In particular, the critics underline Taipei's claims that the "three no's" restrict Taiwan's efforts to seek a greater role in world affairs as a government separate from the PRC. Some also are sympathetic with non-government advocates of self determination in Taiwan, who charge that the "three no's" effectively curb the right of the people of Taiwan to decide whether or not they want to be independent of China.<sup>2</sup>

### **Past Controversies In the Evolution of U.S. Policy Toward Taiwan**

Past episodes of controversy over appropriate U.S. policy toward Taiwan and mainland China included:

- a major debate in the Congress during the 1970s over the pros and cons of breaking all official U.S. ties with Taiwan for the sake of establishing normal diplomatic relations with Beijing;

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1. For more extensive coverage of the issues noted in this article, see, *Taiwan: Recent Developments and U.S. Policy Choices*, CRS Issue Brief 98034; *Taiwan: Texts of the Taiwan Relations Act and the China Communiques*, CRS Report 96-246; *China: Pending Legislation in the 105<sup>th</sup> Congress*, CRS Report 97-933; *China: Interest Groups and Recent U.S. Policy*, CRS Report 97-48; *China-U.S.-Taiwan Economic Relations*, CRS Report 96-498; and *Taiwan's Economy in Transition*, CRS Report 96-251.

2. *Taiwan Communique*, 81, June 1998, pp. 1-8.

- sharp and bipartisan congressional criticism of the Carter Administration's handling of the normalization with Beijing in 1978 and 1979, leading notably to a total congressional rewrite of the draft legislation proposed by the Administration that ultimately became law as the Taiwan Relations Act in April 1979; and
- controversy surrounding the Reagan Administration's decision to sign the August 1982 communique with the PRC which restricted U.S. arms sales to Taiwan so long as Beijing followed a peaceful policy toward the territory.

The end of the Cold War and the 1989 Tiananmen crackdown in China coincided with Taiwan's rise as a newly emerging democracy with a vibrant free market economy, prompting many in the Congress, as well as the U.S. media and elsewhere, to press the Administration to upgrade U.S. relations with Taiwan despite strong PRC opposition. Congress was almost unanimous in 1995 in urging President Clinton to reverse administration policy and allow Taiwan's President Lee Teng-hui to make a private visit to Cornell University, his *alma mater*. President Clinton acceded; the visit took place. Beijing reacted strongly and with repeated shows of force in the Taiwan Strait. After several months of PRC military demonstrations in the Strait, the Clinton Administration, with strong congressional support, deployed two aircraft carrier battle groups to the area. The potentially dangerous face-off of U.S. and PRC forces ended quietly, but was widely seen to have added incentive to ongoing private Clinton Administration efforts to reassure Chinese leaders of U.S. intentions while building an administration policy of U.S. "constructive engagement" with China. Statements by Clinton Administration officials affirming the "three no's" regarding U.S. policy toward Taiwan were part of those Clinton Administration efforts to reassure the PRC over American intentions and open the way to smoother U.S. relations with mainland China.<sup>3</sup>

### **Reasons for Executive-Legislative Friction Over U.S. Policy Toward Taiwan**

The controversy between congressional critics and the administration over the "three no's" mirrored past episodes of Legislative-

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3. *China: Interest Groups.*

Executive friction over policy toward Taiwan. As in the past, the Administration's priority appeared to focus on managing the U.S. relationship with Taiwan in ways that would not unduly complicate or upset the important U.S. relationship with the PRC on the mainland. From the perspective of congressional critics, this approach at times, including the most recent episode, has prompted the Administration to go too far in accommodating the PRC by cutting back, restricting, or otherwise defining U.S. interaction with Taiwan in ways favored by Beijing. More receptive to the entreaties of Taiwan's representatives and their supporters in the United States and sensitive to the many tangible U.S. benefits derived from relations with Taiwan, Congress has repeatedly taken steps at many junctures over the past decades to adjust U.S. policies in ways more supportive of Taiwan's interests and less favorable to Beijing. From the Administration's perspective, Congress can afford to lean in this direction, which complicates and sometimes endangers the relationship with Beijing, because it does not bear primary responsibility for managing U.S. foreign policy. At times, Administration officials see congressional actions in support of Taiwan as irresponsible. In turn, congressional observers for their part sometimes see Administration officers as being so anxious to preserve a smooth relationship with Beijing that they are prepared to make unwarranted sacrifices of U.S. interests in relations with Taiwan.<sup>4</sup>

### 1. PRC-Taiwan Rivalry

An underlying fact that defines the frequent Legislative-Executive struggle over U.S. policy toward Taiwan is the ongoing rivalry between Beijing and Taipei. Although the rivalry waxes and wanes, leaders in both capitals see their competition, especially for international support, largely in zero-sum terms. Thus, a gain for one side in international support is seen as a loss for the other. Both sides agree that by far the most important arena for their competition for international support is Washington, D.C. For Taiwan, U.S. support in arms sales, statements of strategic concern, political backing, and in other ways is critical. Taiwan would not survive as a separate entity without U.S. support. Thus, Taiwan officials work hard and use many channels to influence the U.S., national and local governments, media, business, non-governmental non-profit organizations, academic groups and universities, and others. For Beijing, Chinese

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4. Ramon Myers, Ed., *The Unique Relationship*, Stanford: Hoover Institution Press, 1989, pp. 63-65.

officials use their often strong importance in U.S. strategic, economic, or political calculus as leverage to persuade, pressure, or coerce the U.S. government to curb its support for Taiwan and thereby help smooth the way toward PRC efforts to reunify Taiwan with the Mainland, a top goal of PRC leaders.<sup>5</sup>

## 2. U.S. Policy Ambiguity

The U.S. policy debate also is grounded in prevailing U.S. policy ambiguity about relations with Taiwan. On the one hand, U.S. governments in the process of establishing and improving relations with Beijing have issued three communiques and other statements (most recently the "three no's") that often appear supportive of the PRC position on the Taiwan issue. The communiques call for breaking all U.S. official ties with Taiwan; acknowledge the Chinese position that there is but one China and that Taiwan is part of China; recognize the PRC as the government of China; and agree to limit U.S. arms sales to Taiwan provided Beijing pursues a peaceful approach toward the island. Also, Administration public statements in recent years explicitly rule out U.S. support for an independent Taiwan or Taiwan's membership in the UN or other such international organizations where statehood is a requirement.

On the other hand, U.S. leaders have repeatedly taken positions and policy actions designed to shore up important U.S. relationships with Taiwan. The Taiwan Relations Act is replete with expressions of U.S. concern with Taiwan's security and determination to continue to provide arms to the island government. The Reagan Administration endeavored to balance its signing of the 1982 communique restricting U.S. arms to Taiwan with six pledges to Taiwan leaders including assurances that the U.S. would not set a date to stop arms to Taiwan, would not amend the Taiwan Relations Act, and would not negotiate with Beijing over arms sales to Taiwan. The Bush Administration resumed cabinet-level contacts with Taiwan in 1992 and also agreed to a \$5 billion transfer of 150 F-16 fighters, despite existing restrictions stemming from the 1982 communique. In 1994, the Clinton Administration released the results of a Taiwan policy review that called for a modest upgrading of U.S. interchange with Taiwan. Taiwan media also have reported on five supposedly secret meetings held in the past few years between Taiwan's National Security Adviser and U.S. officials led by the

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5. Robert Sutter, *U.S. Policy Toward China: An Introduction to the Role of Interest Groups*, Lanham, MD: Rowman and Littlefield, 1998.

Deputy National Security Adviser and the Under Secretary of State.<sup>6</sup> In late 1998, the Administration sent Energy Secretary Bill Richardson to Taiwan; and Secretary of Defense William Cohen met with Taiwan's Chief of Staff in Washington.

The U.S. government has also been ambiguous about the U.S. commitment to Taiwan's security. Following the termination of the U.S. defense treaty one year after the agreement to establish diplomatic relations with the PRC in 1979, U.S. officials have refused to say what actions the United States might take in the event of a PRC military threat to the island. The U.S. government made clear that arms sales would continue and that the United States expected the Taiwan issue to be dealt with peacefully. The Taiwan Relations Act affirmed that the United States would maintain sufficient forces to deal with contingencies in the Taiwan area.

After the U.S.-PRC military face-off in the Taiwan Strait in early 1996, the Clinton Administration strongly and repeatedly affirmed U.S. interest in seeing the PRC and Taiwan ease cross-Strait tensions and resume cross-Strait negotiations. The latter were being carried out by ostensibly unofficial representatives of the PRC and Taiwan but were suspended in the wake of the Lee Teng-hui visit to the United States. The two sides resumed the high level dialogue in 1998. Meanwhile, several former Clinton Administration officials, including Secretary of Defense William Perry and Assistant Secretary of Defense Joseph Nye, were notably active in 1998 promoting cross-Strait dialogue; some have warned Taiwan that U.S. support might not be forthcoming if Taiwan were to provoke a PRC attack by declaring Taiwan to be independent; others have called for a possible settlement of the Taiwan issue which could involve Beijing disavowing the use of force, Taiwan disavowing the option to declare independence, and the U.S. curbing arms sales to the island.<sup>7</sup> In Congress, some Members have used the formidable PRC ballistic missile capability against Taiwan to argue that the United States should work with Taiwan to provide a theater missile defense for the island.<sup>8</sup>

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6. For recent coverage of Taiwan developments, see *Free China Journal*, published by Taiwan's Government Information Office.

7. Hans Binnendijk and Ronald Montaperto, Eds., *Strategic Trends in China*, Washington, D.C.: National Defense University, 1998; Joseph Nye, "A Taiwan Deal," *Washington Post*, March 8, 1998, p. C7.

8. *Taiwan: Recent Developments*.

### Lessons of History

The record of U.S. policy over Taiwan since the normalization of U.S.-PRC diplomatic relations has witnessed both periods when the U.S. leaned to the PRC side and cut back ties with Taiwan and periods when the U.S. endeavored to stand firm in support of U.S. interests in Taiwan despite pressures from Beijing. In general, Congress has argued for more consideration of U.S. interests in Taiwan during these periods, especially when the Administration seemed to be leaning toward China. At the time of the Carter Administration's decision to establish formal diplomatic relations with Beijing in late 1978, it was not at all clear whether Congress would take any significant steps to adjust the Administration's actions as they affected Taiwan. Meanwhile, Taiwan's lobbying efforts appeared passive and ineffective. Taiwan's officials claimed to be resigned to the changeover and focused on such housekeeping issues as assuring that the valuable property at Twin Oaks was not transferred to PRC control. Nonetheless, there was intense congressional effort to shore up U.S. interests in Taiwan in the legislation (subsequently called the Taiwan Relations Act) that was passed to ensure continued U.S. unofficial relations with Taiwan. The result was a bipartisan congressional effort, culminating in extensive additions and amendments, to the draft legislation that President Carter signed as the Taiwan Relations Act in April 1979.<sup>9</sup>

The congressional-executive wrangling over the TRA was only one round in a struggle over an appropriate balance in U.S. policy toward Beijing and Taipei that continued well into the Reagan Administration. U.S. policymakers in the Administration and the Congress disagreed about the proper U.S. posture in this triangular relationship. As in the case of many such international triangles, the participants often tended to view it as a kind of zero-sum game. Thus, whenever the U.S. Administration attempted to interpret the TRA or take other actions designed to foster good relations with the PRC, such action often was seen by U.S. supporters of Taiwan in Congress as having an indirect but strong negative effect on U.S. interests vis-a-vis Taiwan. Similarly, whenever the U.S. Administration — often pressured by Congress — attempted to implement the TRA or take other steps designed to consolidate or improve relations with Taiwan, this often was seen by supporters of closer

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9. Robert G. Sutter, *The China Quandary: Domestic Determinants of U.S. China Policy, 1972-1982*, Boulder, CO: Westview Press, 1983, pp. 89-110.

U.S.-PRC relations in the Administration as having a strong negative effect on U.S. relations with the PRC.

The stakes in this U.S. policy debate were seen as high. Supporters of Taiwan often demonstrated considerable anxiety that U.S. cutbacks in relations with Taiwan would reach a point where Taiwan's security, stability, and economic prosperity were endangered. Other U.S. officials stressed the need to implement the TRA so as to cut back U.S.-Taiwan relationships in order to improve U.S.-PRC relations. In particular, they warned that to do otherwise would call into question the U.S. position in a larger and strategically more important triangular relationship, namely, the U.S.-Soviet-Chinese great power triangle. Not surprisingly, they tended to view relations within this great power triangle as a zero-sum game. They argued that U.S.-PRC friction over Taiwan and other issues blocked the ability of the United States to move ahead with relations with the PRC and thereby gain a perceived advantage against the Soviet Union.

The division between the Carter Administration and the Congress on the appropriate U.S. position in these two triangular relationships was not clear-cut. However, Congress generally opposed Carter Administration efforts that were seen to cut back U.S. ties with Taiwan and improve relations with the PRC for the sake of a perceived advantage in U.S. relations in the Sino-Soviet-U.S. triangle. During the early years of the Reagan Administration, the policy debate shifted to groups focused within the Administration, where strong advocates of a position favoring the PRC in both triangular relationships encountered strong opposition, especially from supporters of President Reagan who felt that the United States should sustain ties with and strong backing for Taiwan.

### **1. U.S. Policy Consensus on Taiwan: 1983-1989**

From 1983 until the Tiananmen incident of June 1989, U.S. policymakers in both the Administration and Congress showed much less contention and urgency over policy toward Taiwan. In large measure, this was because they were less worried over Taiwan issues and the two triangular relationships. Indeed, certain aspects of these triangular relationships began to look more like a positive sum game than a zero sum game. This new view paved the way for a general consensus on U.S. policy toward China and Taiwan. Even strong supporters of Taiwan in the U.S. Congress were less concerned that the United States would try to improve rela-



tions with the PRC at the expense of Taiwan's security, stability, or economic prosperity.

On sensitive political and military issues in U.S.-PRC-Taiwan relations, many believed that U.S. policy had achieved an appropriate balance. The United States offered to sell advanced fighter aircraft equipment to the PRC without causing a major stir among Taiwan supporters in the United States. At the same time, the United States allowed U.S. companies to provide technology, advice, and support to Taiwan's development of an advanced fighter aircraft without prompting much reaction from those who feared that such a step would alienate the PRC and jeopardize developing closer U.S.-PRC ties to counter Soviet international expansion.

Developments that prompted a less urgent and contentious climate for U.S. policy toward China and Taiwan included:<sup>10</sup>

1. *Increased U.S. confidence in dealing with the Soviet Union and recognition that China had less strategic importance for the United States.* U.S. policymakers acquired more confidence in their ability to deal with the geopolitical challenges posed by the Soviet Union without having to encourage the more active cooperation of China. The United States improved its military and political capability to match the Soviet Union's power; U.S. allies became more united in their willingness to work more closely with the United States to counter the Soviet Union, especially in Asia, where Japanese Prime Minister Nakasone took initiatives to strengthen Japan's defenses; and the PRC's leadership expressed satisfaction with the existing balance in Asian and world affairs and was less interested in having closer strategic ties with the United States against the Soviet Union.<sup>11</sup> Consequently, U.S. policymakers in the Administration and Congress no longer believed it necessary to press for a cutback in U.S. ties with Taiwan to keep Beijing on the U.S. side to oppose the USSR.

2. *Increased U.S. confidence in Asian stability.* During the 1970s, many in Washington worried that Asian peace and stability were in jeopardy. By the late 1980s, however, U.S. observers saw Asia as more stable and more at peace. The United States had more confidence in its ability to check Soviet expansion. Notably, Beijing had moderated its policy toward Taiwan. For its part, Tai-

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10. Robert Sutter, "The TRA and US. China Policy," in Ramon H. Myers, Ed., *A Unique Relationship*, Stanford: Hoover Institution, 1989.

11. Harry Harding, *A Fragile Relationship*, Washington, D.C.: Brookings Institution, 1992.

wan had weathered the political difficulties of the 1970s, had become a new power in international trade, and its authoritarian government had eased political control and allowed more interchange with the Mainland. These trends reduced the zero-sum quality of the U.S.-PRC-Taiwan triangular relationship. In fact, the Beijing-Taipei leg of the triangle became less tense as trade, travel, and other communications developed across the Taiwan Strait. In this context, the United States had greater leeway to develop relations with Taiwan under the auspices of the TRA without prompting a negative reaction from the PRC.

3. *Maturity in the formulation of U.S. China policy.* One result of the tense U.S. interactions with PRC and Taiwan officials during the late 1970s and early 1980s was that U.S. policymakers were repeatedly exposed to strong demands from both Beijing and Taipei. Gradually, those in the Administration and Congress who had tended to strongly favor either the PRC or Taiwan side of the U.S.-PRC-Taiwan triangle moderated their positions and sought a middle course.

4. *Increased continuity and a better understanding of U.S. China policy.* U.S. China policy stabilized in this period, as compared with the often abrupt changes in the late 1970s and early 1980s. The changes in China policy of the late 1970s and early 1980s proved to be too abrupt for many in the United States. The policy also was often conducted in secrecy. This added to acrimony between Congress and the Executive branch over how these two branches should formulate China policy. By contrast, U.S. policymakers in the Reagan Administration after mid-1982 were able to consult with relevant U.S. interest groups, including those represented in the Congress, to build better understanding of their more slowly moving and generally consistent policy. These developments made it easier to build a policy consensus on China and Taiwan.

## 2. A New Debate

The Tiananmen incident of June 1989 and the end of the Cold War shattered the rough consensus that then prevailed in U.S. China policy. The Bush Administration endeavored to balance some sanctions against Beijing with continued diplomatic contacts and exhortations that U.S. interests were best served by a close and collaborative policy of "engagement" with the PRC. Many in the U.S. Congress, media and elsewhere, though, called on the Bush Administration to use trade ties as leverage to press for changes in Chinese human rights, weapons proliferation, and trade practices.

President Bush held the line against these pressures, although he expended considerable political capital in doing so and set himself up for successful attacks by Governor Bill Clinton in the 1992 presidential campaign where the Democratic challenger accused the President of "coddling dictators."<sup>12</sup>

The new U.S. debate over China policy at first resulted in little congressional-administration friction over policy toward Taiwan. For one thing, Taiwan was worried about stability in the Taiwan Strait and its burgeoning investments on the mainland. A cutoff of U.S. MFN tariff status for the Chinese would have posed major security and economic problems for Taiwan, and Taiwan officials quietly argued for its continuance. Second, Bush Administration officials were able to promote major gains in U.S.-Taiwan relations and in Taiwan's international status at a time when Beijing was anxious to work with the President to preserve its MFN status. Thus, the U.S.-supported agreement among the PRC, Taiwan, and Hong Kong, allowing the latter two to enter the Asian Pacific Economic Cooperation (APEC) forum, was a major breakthrough for Taiwan. The Bush Administration also resumed U.S. cabinet-level contacts with Taipei. And most notably, the President agreed to sell 150 F-16 fighters to Taiwan. All these steps were warmly welcomed by Taiwan officials and Taiwan supporters in the U.S. Congress, helping to avoid significant controversy between the Administration and Congress over U.S. relations with Taiwan.

Debate between the Administration and Congress over China policy continued during the Clinton Administration. Notably, the Clinton Administration's decision in 1994 to change its previous stance and "delink" MFN and human rights concerns reflected competing political pressures. Particularly influential was the growing perception among U.S. business circles and their supporters within the government of the opportunities the Chinese economy held for U.S. business. Behind the business interests lobbying for the decision to delink was the People's Republic of China as well as the governments of Hong Kong and, more discreetly, Taiwan, that would have been adversely affected by a U.S. decision to condition or withdraw MFN. Mustered against these forces was an array of Americans advocating a tougher U.S. approach toward Chinese human rights violations.<sup>13</sup> The experience over MFN and China policy was a graphic illustration that the Clinton Administration

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12. *China: Interest Groups*.

13. David M. Lampton, "America's China Policy in the Age of the Finance Minister: Clinton Ends Linkage," *China Quarterly* 139 (September 1994), pp. 597-621.

had not established a firm China policy and that it would reconsider policy in the face of strong pressure. Following de-linkage, the President's reputation for vacillation contributed to a crisis when pressure on the Administration compelled it to switch positions on a sensitive aspect of U.S. policy toward Taiwan — it permitted President Lee Teng-hui of Taiwan to travel to Cornell University.

The pressure for change had been growing for some time. Indeed, Taiwan's supporters in the 103rd Congress had forced the Administration to sign a law requiring that the Taiwan President be granted a visa to visit the United States.<sup>14</sup> The Administration had side-stepped this challenge but growing pressure from an increasingly assertive Taiwan and an increasingly assertive China, along with contending pressures in the United States, set the stage for a policy change of considerable significance. Challenges to the *status quo* came from a variety of directions.<sup>15</sup> Several years of remarkable Chinese economic growth were followed by predictions of continued development well into the next century. This gave PRC leaders a growing sense of confidence in their ability to survive the trauma of the Tiananmen incident and the collapse of international communism to become an increasingly influential player on the world stage. It also allowed for an increase in China's military capabilities and reluctance on the part of Chinese leaders to defer to U. S. pressures. Second, Taiwan was also more assertive. Fed by impressive economic growth and rapidly changing social conditions, Taiwan moved quickly to democratize its political system. This led to debate of such long-repressed issues as the identity of the people on Taiwan and the role of Taiwan in world affairs. Democratization led Taiwan to seek greater stature in international organizations and to move away from rigorous adherence to a one-China policy, implicitly but unmistakably challenging China's stance regarding sovereignty and reunification with Taiwan. Third, U.S. uncertainty also destabilized U.S.-China-Taiwan relations. The end of the Cold War, generational change in the U.S. leadership, and a more pluralistic foreign-policy making process produced confusion about the American role in world affairs, especially concerning such unsettled fields as policy toward China and Taiwan. Washington seemed to lack a clear sense of priorities.

The politics of foreign policy in the United States contributed to U.S. policy vacillation. The Republican-controlled Congress vied

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14. *Taiwan: Recent Developments*.

15. *China Policy: Managing U.S.-PRC -Taiwan Relations After President Lee's Visit to the U.S.*, CRS Report 95-727S.

with the Democratic President for leadership on important policy issues. On the issue of President Lee's visit, President Clinton even became isolated from almost all members of his own party as well. This situation complicated Administration efforts to reach a consensus response to Lee's request for a visa before reaching a decision. Moreover, broader questions of U.S. policy toward Taiwan and China became embroiled in the 1996 congressional and presidential election campaigns.

Domestic politics in China and Taiwan also influenced relations among the three actors. Chinese leaders were embroiled in a succession struggle. Under such circumstances, it was politically expedient to support policies expressing suspicion or even hostility to challenges to Beijing's nationalistic goals. It was widely reported that the prevailing view among Chinese senior leaders was that the United States was hostile to China and that Taiwan was moving slowly but surely to a more autonomous and independent posture. Lee Teng-hui's visit to the United States was seen as the capstone of these sinister U.S. and Taiwanese efforts. As a result, Beijing reacted with frustration and hostility to defend itself from U.S. pressure and to halt Taiwan's drive toward autonomy.

Taiwan was cowed but not dissuaded by Beijing's actions. Pressed by a widespread domestic demand that policymakers seek greater stature for Taiwan in world politics, the ruling Nationalist Party and the main opposition party were active in seeking opportunities to enhance Taiwan's international role. They focused their efforts on the United States, especially on the Congress. Visits by senior leaders from Taiwan to Congress in the first half of 1995 were among the most numerous of any country. In many cases, these leaders sought support for Taiwan's growing role in world affairs in the hope of enhancing their position in Taiwan's domestic politics. The atmosphere in Taiwan remained politically charged as politicians prepared themselves for the elections of a new legislature at the end of 1995 and for Taiwan's first popular presidential election in early 1996.

Clinton Administration officials and many in Congress acknowledged that Beijing's harsh response to the Lee Teng-hui visit — especially the several rounds of ballistic missile and other provocative military exercises near Taiwan — took them by surprise and that the United States needed to exercise greater care with Taiwan-related issues. Some congressional officials acknowledged that in the aftermath of the PRC's 1995 military maneuvers Congress had "pulled back" on Taiwan-related issues. In part, this reflected

greater discretion by Taiwan, which adopted a lower profile on Capitol Hill in the second half of 1995 than it did in the first half. It also reflected the wish of many Members of Congress to avoid difficulties in the U.S.-PRC-Taiwan triangular relationship.

On the other hand, some Members of Congress not normally associated with a hard-line policy became more rigid after Beijing's 1995 provocations. They suspected that Beijing was using military force not only to intimidate Taiwan, but also to intimidate the United States to weaken ties with Taiwan — that it was testing the resolve of an Administration seen by some as less than resolute in foreign policy. This bipartisan group wanted the United States to stand firm on Taiwan and related issues and urged the President not to “reward” PRC “temper tantrums.” They also believed that the United States was within its rights under agreements with the PRC to allow Lee Teng-hui to visit Cornell University in a private capacity. Some Members asserted that the Administration did not respond strongly enough to the PRC military exercises in the Taiwan Strait.

Renewed PRC military pressure on Taiwan and rigid PRC economic policies prompted a sharply negative reaction in the United States during 1996. Press reports in late January 1996 that Chinese officials were accompanying intimidation tactics toward Taiwan with threats to attack U.S. cities in the event U. S. forces intervened in the Taiwan Strait strongly affected U.S. media and Congressional attitudes.<sup>16</sup> China's even more provocative use of force in the Taiwan Strait in March 1996, timed to coincide with Taiwan's first presidential election, headed the list of U.S. grievances against Chinese leaders. Against the backdrop of a deluge of media criticism and congressional and interest group pressures on the Clinton Administration's comprehensive engagement policy, the White House toughened its stance. During the PRC's military exercises near Taiwan in March 1996, it deployed two U.S. carrier battle groups to the area, postponed the visit of China's defense minister to the United States, and suspended approval of Export-Import Bank financing for new projects in China, pending a review of options to deal with reported Chinese export of nuclear technologies. But the Administration also tried to sustain long-term engagement through dialogue between U.S. and Chinese leaders. President Clinton reportedly gave newly-appointed U.S. Ambassador James Sasser a letter for China's leaders requesting such a dialogue. China responded by

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16. *New York Times*, January 24, 1996.

sending Liu Huaqiu, the State Council's senior foreign policy expert, to Washington in March 1996 for discussions with White House and congressional leaders.<sup>17</sup>

Following Lee Teng-hui's election, with a strong showing gathering 54% of the vote in a field of four candidates, both Taipei and Beijing took steps to ease bilateral tensions. However, the U.S. show of naval power in the face of PRC military exercises brought the situation in the Strait, and in U.S.-PRC relations, to a new and important juncture. In particular, the United States was now once again of central and immediate importance in PRC policy toward Taiwan. There were many critical factors in China and the United States that needed to be considered to assess U.S.-China relations and U.S. policy in the aftermath of the crisis. On the U.S. side, the Clinton Administration used a series of high-level meetings with Chinese leaders both in the U.S. and in Beijing to sustain its engagement policy. These meetings were notably accompanied by assurances on U.S. policy toward Taiwan, that later were publicly noted by U.S. leaders as the so-called "three no's." The Administration hoped that the U.S. show of force in the Taiwan area would deter Beijing while cooling U.S. domestic pressure to take a tougher line toward the PRC. In sharp contrast, many in the Congress, backed by a wide variety of media and anti-PRC interest groups, sensed weakness in the Administration's policy. They also argued that China's leadership sensed the Administration's weakness and pressed the U.S. hard, especially on Taiwan. Therefore, these Americans pressed hard in the opposite direction, trying to make sure that the Administration did not accommodate Chinese pressure on Taiwan and other issues.

Taiwan was temporarily cowed by PRC pressure. It avoided egregious efforts to gain international recognition for the rest of 1996, but over the longer term it appeared determined to seek international "space." This not only reflected a strong desire on the part of the Taiwan electorate that their leaders do more to gain Taiwan greater respect and recognition in world politics. It also reflected the private calculus of Taiwanese leaders of their strong need for the international political support that comes from recognition. They believed that the PRC would become stronger economically and politically and that Taiwan would become more dependent on the PRC economy. To safeguard Taiwan in the face of these trends, Taiwan needed broader and deeper political con-

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17. *China, Congress and Sanctions*, CRS Report 96-348F, April 17, 1996.

tacts to reinforce its strong economic contacts with much of the world, especially with the United States and key developed countries.

The Clinton Administration continued to develop its engagement policy with the PRC, culminating in summits in Washington in October 1997 and Beijing in 1998. The reaction in Congress was mixed, with many in both parties attacking aspects of the U.S. policy for a variety of reasons, including partisan reasons. As it became clearer in 1997 and 1998 that the Clinton Administration was compelled by PRC pressure to issue increasingly higher-level and authoritative statements limiting U.S. support for Taiwan, congressional supporters of Taiwan took steps to counter this trend. H. Con. Res 270 urging U.S. support for Taiwan's security unanimously passed the House of Representatives two weeks before President Clinton's departure for the summit in Beijing in June 1998. Amid considerable congressional criticism of President Clinton's statements on Taiwan during his China trip, the Senate and the House passed resolutions in support of Taiwan the following month.<sup>18</sup>

### Outlook

It appears unlikely that the United States will soon restore a broad consensus on its foreign policy in general or its policy toward China and Taiwan in particular. The fluidity of U.S. foreign policy concerns after the collapse of the USSR and end of the Cold War suggest that setting clear and sustainable foreign policy priorities will be difficult. Consequently, U.S. policy over the Taiwan issue appears likely to depend in considerable part on the policies of the PRC and Taiwan. Administration officials, by and large, can be expected to follow past practice and give pride of place to maintaining smooth relations with Beijing. As a result, they will be very attentive to pressure from Beijing. By contrast, congressional representatives, more open to Taiwan's lobbying, more sensitive to issues of values in U.S. foreign policy, and less concerned with maintaining smooth diplomatic ties, can be expected to respond to requests from Taipei to counter perceived Administration tilting toward Beijing and against Taipei.

Over the next few years, at least, it appears that PRC-Taiwan competition for international support will continue and perhaps intensify. Leaders in Taipei and Beijing have strong political and

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18. *Taiwan: Recent Developments.*



strategic reasons to maintain assertive policies. For Taiwan, the search for international space is central to efforts to seek to secure Taiwan's separate status at a time of growing PRC economic and military power. For their part, PRC leaders are said to recognize that China needs to control Taiwan's diplomatic posture if it expects to play a great power role in Asian and world affairs. A China preoccupied with an unfriendly or uncooperative Taiwan along its seaward periphery will be constrained in Asian and world politics. Taiwan under the influence of another great power can undermine PRC security.

Developments in East Asia in early 1999 reflected the intensifying debate over U.S. plans and reported plans to develop or help develop theater missile defense (TMD) networks in the region. Chinese leaders denounced U.S. plans for a national missile defense system and a theater missile defense system in East Asia and showed particular ire over reported U.S. interest in providing missile defense system equipment or technology to Taiwan. Taiwan leaders expressed interest in cooperating with the United States in this regard. U.S.-Japan cooperation on joint TMD efforts in the region intensified in 1999. There seemed no easy way out of the situation, as Beijing appeared to insist that the United States back away from its plans while the United States seemed determined to move ahead with Japan; and, moreover, there was considerable pressure from Congress and the media to lend support to Taiwan.<sup>19</sup>

As in the past, the main international arena for this competition will be Washington. Greater coherence in U.S. policy may ultimately allow U.S. leaders to deal more effectively with the tug-of-war for influence that has characterized U.S. policy on the U.S.-Taiwan-PRC triangular relationship in recent years. The President may be able to define a clear policy reflecting broadly accepted U.S. interests and stick to it. He may also be more willing to employ positive and negative incentives on interest groups, lobbyists, and others who might otherwise be prompted to push hard for change in the President's policy. But, if recent practice is any guide, U.S. policy could also be a muddled drift, moving in one direction or another depending on the shifting relative strength of international and domestic forces pushing U.S. policy.

White House policymakers and other Administration leaders can be expected to continue to argue that China is an important

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19. *China and U.S. Missile Defense Proposals*, Congressional Research Service Report RS20031, March 17, 1999.

country, that U.S.-China relations are at a delicate stage, and that U.S. policy should strive to keep relations "on track." In so doing, U.S. policy is said to foster tendencies in China toward economic, social and political change advantageous to the U.S. and to foster greater Chinese interdependence in world affairs. U.S. administration leaders add that Taiwan officials sometimes privately aver that Taiwan is dependent on the United States, so that the United States does not have to assuage feelings in Taiwan with actions sure to antagonize the PRC. U.S. administration officials tend to argue that the United States should maintain the *status quo* in its relations with Taiwan and build relations with the PRC.

Opposed to this view will remain many Members of Congress, the media, and various interest groups who emphasize Taiwan's positive features. Close U.S.-Taiwan relations provide trade and investment opportunities for U.S. businesses and campaign contributions and votes of blocs of Taiwanese-Americans for American politicians. Taiwan's competitive economic system and its recent democratization have attracted American ideological and moral support. In contrast, members of this group tend to doubt that there will be any rapid PRC movement toward political pluralism or international interdependence. They also emphasize the asymmetry of power between the United States and China. China will press the United States on Taiwan or other questions only when it senses U.S. weakness. If the U.S. is strong and demonstrates the negative consequences for Beijing if it adopts confrontational policies, PRC leaders will pull back to protect Chinese interest in stable relations with the United States.

Which side will win in this debate in U.S. policy? Since Richard Nixon's opening to the PRC, the PRC has won the big decisions. This was evident in the U.S. policy choices in Nixon's initial visit to China, U.S. inability to maintain Taiwan's seat at the U.N., the U.S. decision to break official ties with Taiwan in order to normalize diplomatic relations with Beijing, and the U.S. decision to sign the 1982 communique limiting U.S. arms sales to Taiwan. For the most part, these developments were heavily influenced by an overriding strategic rationale that drove U.S. policy toward the PRC and against the Soviet Union. However, even during the Cold War, when the PRC was winning the big U.S. decisions, Taiwan made important gains. Since 1978, when the U.S. broke relations with Taiwan to establish relations with the PRC, Americans have increased the breadth and scope of relations with Taiwan. The U.S. Taiwan Relations Act expressed support for Taiwan security.

Washington protected Taiwan's membership in the Asian Development Bank and has supported its membership in the World Trade Organization (WTO). It aided Taiwan's development of a new jet fighter; and in 1992 sold it 150 F-16 fighters to Taiwan. In 1994, it upgraded the protocol level of exchanges, and in 1995 it issued a visa for Lee Teng-hui to visit Cornell University. The end of the Cold War eliminated the strategic rationale for the pro-PRC decisions in U.S. policy in the 1970s and 1980s. A new strategic rationale emerged. U.S. policymakers recognize that China is a growing power and possesses the strategic importance of a great power. But Chinese power does not guarantee that U.S. policy will tilt toward China. China's importance, strength, and assertiveness may also strengthen U.S. resolve to support Taiwan against Beijing's threat.

This assessment of U.S. administration-congressional interaction on the Taiwan issue reveals that whatever administration exists in Washington, it is going to feel strong pressure from members of the media, Congress and interests groups who feel that Washington should do more to help Taiwan. If Taiwan maintains its close and cooperative relationship with the U.S. and avoids provocative actions that unnecessarily exacerbate cross-Strait relations, U.S. policy will likely tilt toward Taiwan. If Taipei, Beijing, and Washington pursue pragmatic and moderate policies as they did in the mid-to-late 1980s, this may encourage domestic convergence in all three capitals on policy concerning China and Taiwan and allow policymakers to reinforce tendencies toward policy coherence, perhaps leading to U.S. policies that provide an appropriate balance between Taipei and Beijing. Moderation and pragmatism by one party can reinforce trends toward moderation and pragmatism by the other, leading to a pattern of realistic but mutually beneficial contacts and reduced tensions. U.S., PRC, and Taiwan actions would then focus on the common ground all three share in avoiding war and promoting regional development, goals shared by other East Asian nations and powers with an interest in the region. Past practice suggests that such pragmatism will not come from Beijing or Taipei. It will require U.S. leaders who are confident in U.S. power in the world, who are able to build and sustain support for U.S. leadership in the world on the part of the American people, their representatives in Congress, and important U.S. allies and who, thus, can deal with China-Taiwan squabbles from a position of strength.



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